

# **CHAPTER I**

## **INTRODUCTION**

This chapter provides an introduction of this research. This chapter included background of study, research questions and objectives and benefits of doing this research.

### **1.1 Background of Study**

Nowadays, Human Resources (HR) become the real business partner, which contributes strongly to the achievement of the overall business targets. Being the business partner, it develops its HR Strategy, which builds the unique competitive position of the organization on the job market. The smart top executives share their visions with their HR leaders. The HR Leaders are able to translate visions into HR Strategies. The strategies navigate managers and employees, as the overall performance of the company beats the competitors. The effective HR Management develops the potential of the organization, and builds a stronger and highly motivated workforce. The HR Management is definitely the competitive advantage of the modern and innovative company. The future of the HR Management is bright.

Leadership style and pay fairness are important determinants of job satisfaction and organizational commitment. Prior studies concluded that leadership style and pay fairness affect job satisfaction and organizational commitment.

Leadership style is defined as the pattern of behaviors that leaders display during their work with and through others (Hersey and Blanchard, 1993). Miller et al. (2002) view leadership style as the pattern of interactions between leaders and subordinates. According to (Hersey et al. 2000), the term “leadership style” can be interpreted as leadership behavior with two obviously independent dimensions: task and interpersonal relationships.

Pay is arguably one of the most critical, if not the most critical, outcome of organizational membership for employees (Gupta & Shaw, 1998). Actual pay and people's attitudes about it are the subject of much research (Lawler & Jenkins, 1992; Miceli & Lane, 1991) but, over the decades, the vast majority of studies concentrated on the precursors of different kinds of pay attitudes (e.g. perceptions of pay fairness, pay satisfaction, etc.) rather than on their consequences (Heneman, 1985). In addition, more research on the consequences of pay attitudes concerns the prediction of other workplace attitudes e.g. (Miceli & Mulvey, 1998) than the prediction of health and work-related behavior outcomes. This omission is curious in light of the argument that economic dimensions of employee attitudes may be stronger predictors of work-related behaviors among employees than are other, non-economic dimensions (Chacko, 1983; Diener, 1984).

Job satisfaction is defined by Locke (1976) as "a pleasurable or positive emotional state resulting from one's job or job experiences" (p.1300). Later, Armstrong (2003) defined job satisfaction as the feelings and attitudes of people toward their job. He mentioned that if people have favorable and positive attitudes towards their job, this means job satisfaction, but if they have unfavorable and negative attitudes towards their job, this means job dissatisfaction.

Organizational commitment has been studied in the public, private, and non-profit sector, and more recently internationally. Early research focused on defining the concept and current research continues to examine organizational commitment through two popular approaches, commitment-related attitudes and commitment-related behaviors. A variety of antecedents and outcomes have been identified in the past thirty years. Meyer and Allen (1991) and Dunham et al (1994) identified three types of commitment; affective commitment, continuance commitment, and normative commitment. Normative commitment is a relatively new aspect of organizational

commitment having been defined by Bolon in 1993. Affective commitment is defined as the emotional attachment, identification, and involvement that an employee has with its organization and goals.

Organizational commitment and job satisfaction are important attitudes in assessing employees' intention to quit and the overall contribution of the employee to the organization (Lock, & Crawford, 2003). Job satisfaction is influenced by many organizational contextual factors, ranging from salaries, job autonomy, job security, workplace flexibility, to leadership. In Sectionicular, leaders within organizations can adopt appropriate leadership styles to affect employee job satisfaction, commitment and productivity. Employee job satisfaction refers to the attitude of employees towards their jobs and the organization which employs them (Voon et al, 2011).

Several previous studies investigated the effect of leadership style on job satisfaction. The results of previous studies from different countries show that different styles of leadership do not have the same impact on job satisfaction (Stogdill, 1970; Walder, 1995). Based on the Stogdill's (1970) initiating structure, leadership style is more likely to provide greater commitment and job satisfaction in Asian firms, whereas in Western context consideration leadership style would provide greater job satisfaction. However previous studies have examined the impact of leadership styles on employee job satisfaction in various settings such as healthcare, military, education and business organizations (Hepworth, & Warr, 1989; Bass, 1990). These studies generally indicate the impact of leadership style on job satisfaction in the context of their countries.

Very few papers have investigated the impact on job satisfaction of pay changes. Using British Household Panel Survey data from 1991 and 1992, Clark (1999) found the effect of pay on job satisfaction to be totally dynamic: the negative (reference) effect of lagged pay is equal to the positive effect of current pay. Clark (1999) uses dummies for nominal and real cuts interacted

with pay growth, but do not detect significant non-linearity, thus finding no evidence of loss aversion. Grund and Sliwka (2007) found that job satisfaction is positively related to both pay level and pay change using German Socio Economic Panel data from 1994 to 2002. Grund and Sliwka (2007) do not distinguish between nominal and real changes (nominal pay is used but year dummies control for price changes) and nor do they investigate nonlinearities.

According to Nyengane (2007), employee commitment reflects the quality of the leadership in the organization. Therefore it is logical to assume that leadership behavior would have a significant relationship with the development of organizational commitment. Previous researches suggest a positive direct relationship between leadership behavior and organizational commitment.

A relationship between leadership style and commitment has been reported in the organizational and management literature. Nyengane (2007) reported a positive relationship between leader support and commitment. In three separate studies, Popper, Mayseless and Castelnovo (2000), as cited in Nyengane (2007) found evidence to support the hypothesis that a positive correlation existed between transformational leadership and attachment of organizational commitment. Kent and Chelladurai (2001) found that individualized consideration has positive correlation with both affective commitment and normative commitment. also, Hayward, Goss and Tolmay (2004) found that transformational leadership has moderate positive correlation with affective commitment. Lower correlation coefficients between transformational leadership and normative, as well as continuance, commitment were found. No correlation was found between transactional leadership and affective, normative and continuance commitment.

According to Walumbwa and Lawler (2003), there is considerable research available suggesting that the transformational leadership style is

positively associated with organizational commitment in a variety of organizational settings and cultures. Nyengane (2007) indicated that transformational leaders are able to influence employees' organizational commitment by promoting higher levels of intrinsic value associated with creating a higher level of personal commitment on the part of the leader and followers to a common vision, mission, and organizational goals.

According to Spector (1997), job satisfaction influences people's attitude towards their jobs and various aspects of their jobs. Job satisfaction is affected by personal and organizational factors, which cause an emotional reaction affecting organizational commitment (Mowday, Steers & Porter 1979). The consequences of job satisfaction include better performance and a reduction in withdrawal and counter-productive behaviors (Morrison 2008). Since job satisfaction involves employees' affect or emotions, it influences an organization's well-being with regard to job productivity, employee turnover, absenteeism and life satisfaction (Sempane, Rieger & Roodt, 2002; Spector 2008). Motivated employees are crucial to an organizations' success, and therefore understanding people in their jobs and what motivates them could be a driving force in strengthening organizational commitment (Schein 1996).

Based on these facts of previous studies, the importance of leadership style and pay fairness for leading human resource development is increasingly changing depending on rapidly change in information technologies. This research focuses on these two factors of human resource which are leadership style and pay fairness. To make this research more particular, this research will examine and describe the effects of these two variables on job satisfaction and organizational commitment.

This research is aimed to give us a meaningful description and significant examining and analyzing of the relations between variables (leadership style, pay fairness, job satisfaction, and organizational

commitment) in this company. This research is aimed to examine the effect of leadership styles and pay fairness on both of job satisfaction and organizational commitment.

NIZAR BORDIR Company is one of companies operates in cloth's production and marketing. This company was established in 1992 in Pasuruan, Indonesia. This company is private and is running by family members. The business was originally based on a partnership with the embroidery and sewing artisans in the villages in the district of Bangil. Gradually, Nizar Embroidery focuses on using computerized technology because of the demands of the market.

Further, the reason of choosing this company, based on the objectives of the research, is examining and analyzing the leadership style, pay fairness, job satisfaction and organizational commitment of the company, because no prior studies were conducted in this company. Another reason, as a small business, research gives us different information and results compared with big and international organizations. This research provides a new insights for leadership style and pay fairness in small businesses.

## **1.2 Research Questions**

This research included six questions as following:

1. How are the leadership style, pay fairness, job satisfaction and organizational commitment of the Company?
2. What is the effect of leadership style on job satisfaction?
3. How is leadership style effecting commitment to the organization?

4. What is the impact of pay fairness on job satisfaction?
5. How is pay fairness influencing organizational commitment?
6. What is the effect of job satisfaction on organizational commitment?

### **1.3 Research Objectives**

The purpose of this research is to investigate the relationship between employees' satisfaction of their leadership style and pay fairness with job satisfaction. Different effects of these three variables (leadership role, pay fairness and job satisfaction) on organizational commitment as well.

1. Describing leadership style and pay fairness with job satisfaction and organizational commitment of the Company.
2. Examining and analyzing the impacts of leadership style on job satisfaction.
3. Analyzing the impact of leadership style on organizational commitment.
4. Examining and analyzing the impacts of pay fairness on job satisfaction.
5. Analyzing the effect of pay fairness on organizational commitment.
6. Examining and analyzing direct or indirect effect of job satisfaction on organizational commitment.

### **1.4 Benefits of the Research**

This research gives us comprehensive understanding of the situation of leadership style, pay fairness, job satisfaction and organizational commitment on NIZAR BORDIR company. This research also describes the relationship between all variables with each other and their effect to job satisfaction and organizational commitment.



This research explains for the company itself its situation from the human resource side and helps to improve relations between leaders and employees. As a small business, this research gives owners an idea about their employee's needs and opinions to increase their activities and productivity. This research helps leaders and owners of the company to pay more attention to their employees and give them deep understanding about employee's needs. And finally, it gives important information to top management to evaluate their performance and implement the concepts of the leadership style and fairness, satisfaction to create a fitable commitment for the employees.

## **CHAPTER II**

### **LITARETURE REVIEW**

#### **2.1 Previous studies**

There are many previous studies about every one of variables. But not many of these previous studies explain clearly the relationship between each other. Here in this part I will try find some of these studies and explain the way they relative with each other, especially between leadership style and organizational commitment and pay fairness with job satisfaction.

##### **2.1.1 Leadership Style and Job Satisfaction**

Many of previous studies describe the relationship and the effect of leadership style on job satisfaction. Here I will show some of these studies:

Drucker (1993) indicated that the quality and performance of managers are the key criteria in deciding organizational success. An enterprise without a manager's leadership is not able to transmute input resources into competitive advantage. Therefore, it is clear that the leadership style of a manager has a close relation to the development of organization.

Based on research of Northouse (2007), he described that leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Furthermore, Fertman & Liden, (1999) state leadership style is the manner and approach of providing direction, motivating people and achieving objectives. Leadership styles are behavioral models used by leaders when working with others. As asserted by Chemers (2007) leadership is the executive of organizational intelligence in which leadership effectiveness is linked to organizational performance and truly important in each organization. The wide-ranging of three types of leadership styles evolved by Bass and Avolio (2004) is extensively used by researchers in the leadership field.

Moreover, Bass and Avolio (2004) stated that the major leadership constructs of transformational leadership, transactional leadership, and passive/avoidant leadership form a new paradigm for understanding both the lower and higher order effects of leadership style. This paradigm builds on earlier leadership paradigms such as those of autocratic versus democratic leadership, directive versus participative leadership, and task- versus relationship oriented leadership which have dominated selection, training, development, and research in this field for the past half century.

According to Avolio, B.J., Waldman, D.A. & Yammarino and Kennerly, The fundamental factors influencing the effectiveness of an organization are leadership and employee job satisfaction. Leadership is considered one of the most important determinants of employee job satisfaction. It extensively influences employees' motivation and dedication. While the correlation between leadership style and job satisfaction has been studied in a wide variety of fields and in an equally wide variety of settings, few of these studies focus on this relationship in the context of higher education. And the ones that do concentrate on academic leadership and faculty job satisfaction in the context of North America and Europe. Though leadership has long been of interest to historians and philosophers, scientific studies only began in the early 1900s. Still, the body of knowledge has since been fast growing as attested by the more than 350 definitions of the term which scholars have come up with. Giving one specific definition of leadership is a thus very complex task.

### **Result of this study:**

Results showed that the significant and meaningful correlations between leadership styles sub-scales and job satisfaction. Thus, the strength of the correlations obtained in the present research suggests that the overall leadership styles and its sub-scales have a significant role in job satisfaction.

These results were consistent with previous research results that doing in this field. Based on these results, numerous studies in several countries showed that there is a positive correlation between leadership styles and the job satisfaction in health care providers Skansi (2000) stated that among determinants of job satisfaction, leadership is viewed as an important predictor and plays a central role. Leadership is a management function, which is mostly directed towards people and social interaction, as well as the process of influencing people so that they will achieve the goals of the organization.

### **2.1.2 Leadership style and organizational commitment**

Research examining leadership behaviors began its domination in the 50's and has continued to this day. The study of these behaviors has resulted in many contributions to the leadership literature (Bass, 1990a). One important contribution has been the use of relations-oriented and task-oriented to differentiate and explain different types of leadership behaviors. Another contribution has been the use of relations-oriented and task-oriented leadership behaviors as measures of individual and organizational effectiveness.

Relations-oriented and task-oriented behaviors are considered active forms of leadership (Bass, 1990a). That is, leaders take a proactive approach when performing their roles. Or, leaders perform in a reactive manner. Another approach to leadership involves being inactive. These leaders abdicate their responsibilities and avoid making decisions. This form of leadership is considered laissez-faire. Although laissez-faire leadership is not displayed as often as other leadership behaviors, this leadership style is still exhibited and remains a legitimate approach to leadership (Bass, 1990a). Therefore, including laissez-faire leadership as part of the research on

leadership behaviors can make further our understanding of relations-oriented and task-oriented leadership behaviors.

One overarching concept that offers an integrated approach to measuring the effectiveness of relations-oriented and task-oriented leadership behaviors is organizational commitment. Research has linked organizational commitment to measures of effectiveness such as turnover, job performance, and job satisfaction (Meyer & Allen, 1997). The conclusion from many of these studies has been that employees who have high levels of commitment to the organization are more effective (Meyer & Allen, 1997).

Because relations-oriented and task-oriented leadership behaviors affect individual and organizational effectiveness, these behaviors should also be related to employee levels of organizational commitment. An investigation into the relationship between relations-oriented and task-oriented leadership behaviors and organizational commitment can add to our knowledge of individual and organizational effectiveness.

The many studies involving the broad categories of relations-oriented and task-oriented leadership behaviors, as well as specific behaviors within those categories, have demonstrated that these behaviors impact both individual and organizational effectiveness. Organizational commitment is a construct that explores effectiveness outcomes in similar areas.

#### **2.1.2.1 The Relationship between Leadership style and Organizational Commitment**

Further investigation into the multidimensionality of organizational commitment revealed different relationships between commitment and relations-oriented and task-oriented leadership role. For instance, Reichers (1986) claimed that organizational commitment was in reality a collection of commitments to multiple coalitions and constituencies (e.g. owners/managers,

rank-and-file employees, customers/clients). In an examination of this claim, Reichers (1986) undertook a study to measure the commitment of 124 mental health professionals. Her only significant correlation was between organizational commitment and top management's goals and values.

In another study involving 763 employees, Becker (1992) examined whether employees' commitment to different constituencies or to the overall organization were better predictors of job satisfaction, intention to quit, and prosaically behavior. He discovered that employees' commitment to top management, supervisors, and work groups contributed significantly beyond commitment to the organization.

During the later research, Becker, Billings, Eveleth, & Gilbert (1996) also explored whether commitment to the supervisor or to the organization had the greatest impact on the performance ratings that supervisors gave to newly hired employees. From their study of 281 participants, the researchers found that commitment to the supervisor and the supervisor's values was more strongly related to performance ratings than was employee commitment to the organization.

Summarizing these multiple constituency findings, Meyer & Allen (1997) offered the following:

It should be kept in mind, however, that when we as researchers measure commitment to the organization as a whole, we are probably measuring employees' commitment to "top management" (Reichers, 1986) or to a combination of top management and more local foci (Becker & Billings, 1993; Hunt & Morgan, 1994). If, our intention is to use commitment as a means of understanding or predicting behavior

of relevance to the organization as a whole (or top management specifically), it would seem that our purpose can be well served with global measures of organizational commitment. (p. 19)

### **2.1.3 Pay fairness and job satisfaction**

Pay is the first reason and significant factor for everyone to join firm or organization. Pay and pay fairness are often highly influenced by the firm; the issue then is to what extent the firm's choice is driven by workers observed job satisfaction. To the extent that both job satisfaction and pay are affected by worker characteristics such as innate ability, motivation and so on, the endogeneity can be eliminated by controlling for worker fixed effects.

Several results emerge from this study. The average positive impact on job satisfaction of pay growth is an important finding. It is consistent with explanations for downward wage rigidity based on fairness, such as Akerlof's (1982) gift exchange model. Results confirm that job satisfaction suffers if earnings are cut, even more than would be expected given the general pay growth impact. However, this effect does not reflect the usual conception of loss aversion as a steepening of the satisfaction –pay growth relationship below a reference point. Instead, there is a step reduction in job satisfaction – Bewley's (1999) insult effect. The reduction in satisfaction occurs once earnings growth falls below the median, implying that employers need to keep earnings growth at or above average to avoid damaging workforce morale.

Findings of significant heterogeneity in the response to pay changes illuminate this average picture. Two important sources of heterogeneity are examined: comparisons with the firm and comparisons with salient others. Both affect reaction to a given pay change by determining whether an insult is felt, and the two comparisons interact in important ways. If comparison pay falls, a firm could get away with a real -but not nominal- pay cut without a

step reduction in morale, even if their output is rising. If the pay of similar other workers increases, such a pay cut would have an ‘insult effect’ if the firm if output is rising, but not if it is falling. Nominal pay cuts are a special case: no matter how badly the firm is doing, nominal cuts would lead to a step decline in morale, unless other workers are also experiencing pay cuts. Thus, results provide particular motivation for downward nominal rigidity.

Results are reported for wage rate and earnings. Both might be relevant in terms of fairness. For hourly-paid workers, the basic hourly wage rate (excluding variable components such as bonuses) is generally thought most relevant: it comes close to the ideal of capturing the wage that is the focus of the employment contract (Bewley 1999, Dickens et al 2007). For salaried workers, an hourly earnings measure can be calculated by dividing usual salary by usual hours, but this has the disadvantage that it is particularly subject to measurement error stemming from incorrectly-measured hours of work (Bound, Brown and Mathiowetz 2001).

#### **2.1.4 Pay Fairness and Organizational Commitment**

Employee engagement is argued to be associated with; a sustainable workload, feelings of choice and control, appropriate recognition and reward, a supportive work community, fairness and justice, and meaningful and valued work (Saks, 2006). Similarly, according to a survey conducted in thirty-two countries by Walker Information, the factors that most influence employee commitment (and one could argue employee engagement) are fairness, care and concern for employees, and trust (Frank, Finnegan & Taylor, 2004).

However, while the debate over the existence and exact definition of employee engagement continues, there is little doubt about the importance of fairness in the workplace. Fairness strives to make the employees’ place of



work better and has become more than just adequate pay, benefits and opportunities.

The thought is that if an organization treats its employees well, they will give back as much or more in terms of both physical and emotional commitment (Insightlink, 2005). But, employee engagement ultimately comes down an employee's desire and willingness to give discretionary efforts in their jobs (Frank, Finnegan & Taylor, 2004).

Organizational justice is defined as the impact of justice on effective organizational functioning and is best conceptualized as three distinct dimensions; procedural, distributive and interactional (Colquitt, 2001). The level(s) of justice influence the levels of perceived fairness by employees.

So fairness may have many shapes as showed above, but the main part, especially to the employees will be the fairness in payment. Dislike in the large companies, you have the opportunity to stretch, to give things a go. If you're good enough, you'll be well rewarded - and part of that should mean being paid what you're worth, the small one maybe you will not get all that rewards or transforming to higher level. After making this search and receive the answers of the questionnaire; there is a positive relationship between pay fairness and company commitment. When you pay more and give rewards, the employees will increase their loyalty to the company. This doesn't mean that we can deny the importance of other factors, such as: respect, understanding and good communication.

### **2.1.5 Job Satisfaction and organizational commitment**

Employee retention is an increasingly important challenge for organizations as the age of the knowledge worker unfolds. The 21<sup>st</sup> century world of work is characterized by unprecedented levels of talent mobility as

employees seek to satisfy their own individual demands, leading to growing concern among organizations about the retention of talented employees.

Organizations are increasingly stating that employees are their most important asset, and as a result they are constantly endeavoring to create an employment brand that is attractive to both existing employees and potential talent, while competing in a “war for talent” (Glen 2006). This has led researchers to emphasize the importance of reviewing the factors that influence individuals’ job satisfaction and organizational commitment within the IT environment (Lumley 2010).

Spector (1997) states that job satisfaction influences people’s attitude towards their jobs and various aspects of their jobs. Job satisfaction is affected by personal and organizational factors, which cause an emotional reaction affecting organizational commitment (Mowday, Steers & Porter 1979). The consequences of job satisfaction include better performance and a reduction in withdrawal and counter-productive behaviors (Morrison 2008). Since job satisfaction involves employees’ affect or emotions, it influences an organization’s well-being with regard to job productivity, employee turnover, absenteeism and life satisfaction (Sempane, Rieger & Roodt 2002; Spector 2008). Motivated employees are crucial to an organization’s success, and therefore understanding people in their jobs and what motivates them could be a driving force in strengthening organizational commitment (Schein 1996).

Organizational commitment has attracted considerable interest as attempts have been made to better understand the intensity and stability of an employee’s dedication to the organization (Lumley 2010). Allen and Meyer (1990) identified a link between organizational commitment and employee turnover, and concluded that employees who were strongly committed to the organization were less likely to leave it.

Strong positive relationships have been observed between organizational commitment and desirable work outcomes such as performance, adaptability and job satisfaction (Angle & Perry 1981; Hunt, Chonko & Wood 1985; Mowday, Porter & Dubin 1974). Research results indicate that satisfied employees tend to be committed to an organization, and employees who are satisfied and committed are more likely to attend work, stay with an organization, arrive at work on time, perform well and engage in behaviors helpful to the organization (Aamodt 2007).

According to Kotze and Roodt (2005), a strong correlation has been empirically established between job satisfaction, employee commitment and retention. Organizational commitment is most probably affected by factors such as type and variety of work, the autonomy involved in the job, the level of responsibility associated with the job, the quality of the social relationship at work, rewards and remuneration, and the opportunities for promotion and career advancement in the company (Riggio 2009).

## **2.2 Theoretical studies**

Theoretical studies have always been a very important method in scientific research. One important reason is that, it is an inexpensive activity. In the past, it was enough for people to have pen and paper to do theoretical studies. Though in modern time, it has been indispensable for scientists to read a lot of journals, publications, and, recently, use the internet to obtain a huge amount of information, theoretical study is still relatively a much cheaper scientific activity. Past study has provided quite a good description of the world and current theory study is providing more powerful tools for us to deal with the seemingly more complex world, such as neural networks, dynamic theory, wavelet analysis, etc. Generally, theoretical study is used to gain a basic understanding of physical processes. For example, from the study of magnetism, Alfven, through the study of magnetized plasmas, predicted the

existence of Alfvén waves in space, which was later verified by observation. As we have just discussed, observation is most important for us to have a basic understanding of the space environment. But this is not enough. After we obtain enough data, we still need theoretical study to get the physical understanding of those phenomena.

Similar to the observation, theoretical study also has its own limitations. The environment of space is so complex that many processes are involved in the evolution of the space environment. Though the controlling equations of the space environment are themselves relatively simple, it is almost impossible to derive from these equations the nature of many important processes and their evolution. Modern theoretical study has achieved much progress in the study of linear problems, such as small waves, etc. But for those nonlinear problems, such as shocks, etc..., theoretical study is still far from mature.

### **2.2.1 Leadership Style**

A leadership style is a leader's style of providing direction, implementing plans, and motivating people. It is the result of the philosophy, personality, and experience of the leader. Rhetoric specialists have also developed models for understanding leadership (Robert Harriman, Political Style, and Philippe-Joseph Salazar)

Different situations call for different leadership styles. In an emergency when there is little time to converge on an agreement and where a designated authority has significantly more experience or expertise than the rest of the team, an autocratic leadership style may be most effective; however, in a highly motivated and aligned team with a homogeneous level of expertise, a more democratic or laissez-faire style may be more effective. The

style adopted should be the one that most effectively achieves the objectives of the group while balancing the interests of its individual members.

### **2.2.1.1 Styles of Leadership**

According to Martindale, N (2011) "Leadership Styles: he mentioned some kinds of leadership styles as following:

#### **a. Autocratic or authoritarian**

Under the autocratic leadership style, all decision-making powers are centralized in the leader, as with dictators. Leaders do not entertain any suggestions or initiatives from subordinates. The autocratic management has been successful as it provides strong motivation to the manager. It permits quick decision-making, as only one person decides for the whole group and keeps each decision to him/herself until he/she feels it needs to be shared with the rest of the group.

#### **b. Participative or democratic**

The democratic leadership style consists of the leader sharing the decision-making abilities with group members by promoting the interests of the group members and by practicing social equality. This has also been called shared leadership.

#### **c. Laissez-faire or free-rein**

A person may be in a leadership position without providing leadership, leaving the group to fend for itself. Subordinates are given a free hand in deciding their own policies and methods. The subordinates are motivated to be creative and innovative.

#### **d. Narcissistic style**

Narcissistic leadership is a leadership style in which the leader is only interested in him/her. Their priority is themselves - at the expense of their people/group members. This leader exhibits the characteristics of a narcissist: arrogance, dominance and hostility. It is a common leadership style. The narcissism may range from anywhere between healthy and destructive. To critics, "narcissistic leadership (preferably destructive) is driven by unyielding arrogance, self-absorption, and a personal egotistic need for power and admiration.

#### **e. Toxic style**

A toxic leader is someone who has responsibility over a group of people or an organization, and who abuses the leader–follower relationship by leaving the group or organization in a worse-off condition than when he/she joined it.

#### **f. Task-oriented and relationship-oriented**

Task-oriented leadership is a style in which the leader is focused on the tasks that need to be performed in order to meet a certain production goal. Task-oriented leaders are generally more concerned with producing a step-by-step solution for given problem or goal, strictly making sure these deadlines are met, results and reaching target outcomes. Relationship-oriented leadership is a contrasting style in which the leader is more focused on the relationships amongst the group and is generally more concerned with the overall well-being and satisfaction of group members. Relationship-oriented leaders emphasize communication within the group, show trust and confidence in group members, and shows appreciation for work done.

Task-oriented leaders are typically less concerned with the idea of catering to group members, and more concerned with acquiring a certain

solution to meet a production goal. For this reason, they typically are able to make sure that deadlines are met, yet their group members' well-being may suffer. Relationship-oriented leaders are focused on developing the team and the relationships in it. The positives to having this kind of environment are that team members are more motivated and have support; however, the emphasis on relations as opposed to getting a job done might make productivity suffer.

#### **g. Sex difference style**

Another factor that can be relative with leadership style is whether the person is male or female. When men and women come together in groups, they tend to adopt different leadership styles. Men generally assume an argentic leadership style. They are task-oriented, active, decision focused, independent and goal oriented. Women, on the other hand, are generally more communal when they assume a leadership position; they strive to be helpful towards others, warm in relation to others, understanding, and mindful of others' feelings. In general, when women are asked to describe themselves to others in newly formed groups, they emphasize their open, fair, responsible, and pleasant communal qualities. They give advice, offer assurances, and manage conflicts in an attempt to maintain positive relationships among group members. Women connect more positively to group members by smiling, maintaining eye contact and respond tactfully to others' comments. Men, conversely, describe themselves as influential, powerful and proficient at the task that needs to be done. They tend to place more focus on initiating structure within the group, setting standards and objectives, identifying roles, defining responsibilities and standard operating procedures, proposing solutions to problems, monitoring compliance with procedures, and finally, emphasizing the need for productivity and efficiency in the work that needs to be done. As leaders, men are primarily task-oriented, but women tend to be

both task- and relationship-oriented. However, it is important to note that these sex differences are only tendencies, and do not manifest themselves within men and women across all groups and situations.

### **2.2.1.2 Transformational and Transactional Leadership Behavior**

According to Burns (1978), the leadership process can occur in one of two ways, either transformational or transactional. The transformational leadership concept was originally proposed by Burns (1978) and House (1977), and then expanded by Bass (1985 & 1990). Transformational leadership is defined in terms of the leader's effect on followers: they feel trust, admiration, loyalty, and respect toward the leader, and they are motivated to do more than they originally expected to do. (Yukl, 1997) The characteristics of transformational leadership are:

1. **Charisma:** Charismatic leaders provide vision and a sense of mission, instill pride, and gain respect and trust. (Bass, 1990)

2. **Idealized Influence:** leaders behave as role models for their followers; they become admired, respected, and trusted. The leader's behavior is consistent rather than arbitrary, and the leader shares in any risks taken. The leader demonstrates high standards of ethical and moral conduct and avoids using power for personal gain. (Bass & Avolio, 1994)

3. **Inspiration Motivation:** Transformational leaders are inspiring and motivating in the eyes of their subordinates by providing meaning and challenge to their followers' work. They are able to energize employees' responses. (Yammarino, Spangler, & Bass, 1993; Bass & Avolio, 1994) They communicate high expectations, use symbols to focus efforts, and express important purposes in simple ways. (Bass, 1990).



4. **Intellectual Stimulation:** An intellectually stimulating leader arouses in subordinates an awareness of problems, recognition of their own beliefs and values, and an awareness of their own thoughts and imagination. (Yammarino, Spangler, & Bass, 1993) They promote intelligence, rationality, and careful problem solving. (Bass, 1990) The result is that followers are encouraged to try new approaches; their ideas are not criticized when they differ from the leader's ideas. (Bass & Avolio, 1994)

5. **Individualized Consideration:** The leader with individualized consideration will give personal attention, treat each employee individually, and coach and advise him or her. (Bass, 1990) Such leaders provide continuous follow-up and feedback, and, perhaps more importantly, link an individual's current needs to the organization's mission, and elevate those needs when it is appropriate to do so. (Bass, 1985, 1990; Bass & Avolio, 1989)

According to Bass (1985; 1990), transactional leadership is characterized by two factors of contingent reward, management-by-exception, and laissez-faire. Transactional leadership motivates followers by appealing to their self-interest, whether it be subsidies, lucrative government contracts, campaign contributions, bonuses, or status. However, Howell and Avolio (1993) suggest both leader and follower reach an agreement concerning what the follower will receive for achieving the negotiated level of performance. Bass summarizes several different types of behavior inherent in transactional leadership (Bass, 1990, 1985; Yammarino, Spangler, & Bass, 1993):

1. **Contingent Reward:** These rewards are for good effort, good performance, and to recognize accomplishments.

2. **Management by Exception (active):** This behavior involves monitoring subordinates and correcting action, when necessary, to ensure that

the work is carried out effectively. In other words, leaders watch and search for deviations from rules and standards.

**3. Management by Exception (passive):** This involves intervening only if standards are not met. The leader uses contingent punishments and other corrective action to respond to obvious deviations from acceptable performance standards.

**4. Laissez-Faire:** This behavior entails avoiding decision-making and abdicating responsibilities.

### **2.2.1.3 Leaders versus Administrators and Managers**

Leadership is not the same thing as being in a position of authority. It is possible to be a boss in a company without being a leader. A boss can be more of an administrator than a leader. Conversely, an administrator can be effective in his job without being a leader. The administrator is a bureaucrat—whether in government or in business—a person who keeps careful records and sees that things are done according to the rules.

On the other hand, a leader can be effective without being an administrator—leaving rules, regulations, and their enforcement to others. Administration is not as exciting a topic as leadership, but it is almost as important. The success of organizations depends to a great degree on how well they are administered. A manager is often thought to be primarily an administrator. But a manager is not an administrator; management requires a special set of skills of its own. And being a manager is different from being a leader, as we shall see below. So there are three roles: administrator, manager, and leader.

A manager has the broadest role, and a good manager has much of an administrator and a leader in him or her. A manager needs to set direction and inspire others to get work done (leadership functions) and he or she needs to keep records and see that rules are followed (administrative functions).

The manager is a necessary combination of leader and administrator.

#### **a. Administrators**

What does an administrator do? An administrator applies rules and regulations generally developed by top executives of an organization. (In the government, the key rules and regulations are often issued by legislative authorities like the U.S. Congress). He or she keeps records and fills out forms necessary to take administrative steps (like getting employees paid or reimbursing an employee for travel expenses). The elements of administration are:

- Making rules and regulations
- Making decisions that apply and interpret rules and regulations
- Keeping records
- Filling out forms.

#### **b. Managers**

What does a manager do? He or she makes plans and creates budgets that set forth in great detail how something will be accomplished and how much money and other resources (e.g., people, office space) are necessary to accomplish those plans and budgets. He decides who is going to be assigned to the necessary tasks and how they will fit into the organization. She supervises the actions people take, ensuring that they are doing the right things that no money is being misappropriated or wasted (we call this

“controlling”), and when problems arise she helps to resolve them. Finally, by combining these tasks into a coherent whole, the manager makes the organization operate efficiently.

Running an organization effectively requires administration, management, and leadership. Leadership is ordinarily in shorter supply than administrative or managerial competence. Leadership is more important and more demanding for most people. Fewer people are able or willing to be leaders, so it tends to be a higher calling than administration or management.

There is a large literature discussing the differences between leaders and managers. There is also an important distinction to make between leaders and administrators. In general, a leader takes a broader view and points an organization toward necessary, even critical, change.

The core of the criticism in the literature is that organizations of all sorts (corporations, government agencies, and not-for-profit organizations) tend to be over-managed (and/or over-administrated) and under-led. Because of over-management and over-administration, organizations are slow to make necessary changes and achieve less than what they could. This is a substantial criticism that points to the importance of leadership. The elements of management are:

- Planning and budgeting
- Setting direction
- Organizing and staffing
- Aligning the efforts of many people
- Controlling
- Decision-making and problem solving

- Motivating and inspiring people.

#### **2.2.1.4 The Nature of Leadership**

True leadership is special, subtle, and complex. Too often we confuse things like personal style and a position of authority with leadership.

- Leadership is not primarily a particular personality trait. A trait closely linked to leadership is charisma, but many people who have charisma (for example, movie actors and sports figures) are not leaders.
- Leadership is not primarily a set of important objectives. It involves getting things done.
- Leadership is not primarily a formal position. There have been great leaders who did not hold high positions—for example, Martin Luther King, Jr. and Jeanne d’Arc—and there are people who hold high positions who are not leaders at all, but administrators who don’t want to rock the boat.
- Leadership is not primarily a set of behaviors. Many leadership manuals suggest that what define leadership is things such as delegating and providing inspiration and vision; but people who are not leaders can do these things, and some effective leaders don’t do them all.

#### **2.2.2 Pay fairness**

Pay may include many factors, here I will show some of what the company or organization have to payback for its own employees such as:

## **a. Justice**

Organizational justice is defined as the impact of justice on effective organizational functioning and is best conceptualized as three distinct dimensions; procedural, distributive and interactional (Colquitt, 2001). The level(s) of justice influence the levels of perceived fairness by employees.

### **1. Procedural Justice**

Procedural justice refers to employees' perceptions of fairness in the means and processes used to determine the amount and distribution of resources (Saks, 2006). Higher perceptions of procedural justice by employees are more likely to reciprocate with greater organizational engagement (Saks, 2006) and an employees' positive evaluation of their supervisor (McFarlin & Sweeney, 1992). The basic tenet of procedural justice – a voice in the development of an outcome - enhances the perceived fairness in the workplace independent of the effects of its implementation (Greenberg, 2002).

For example, in terms of performance appraisals, procedural variables may be more important than distributive (outcome) variables as determinants of the perceived level fairness by employees (Greenberg, 2002). An organization that provides knowledge to employees about procedures demonstrates regard for employees concerns. Decision-making processes that are unclear to employees violate procedural fairness and trust – damaging the employer-employee relationship.

### **2. Distributive Justice**

Distributive justice pertains to an employees' perception of fairness in decision outcomes and resource allocation (Saks, 2006). In order to be “just”, the allocation of an outcome should be consistent with the set goals of a particular situation. The “equity rule” associated with distributive justice dictates that rewards and resources be distributed in accordance with

contributions. Past research shows that distributive justice is strongly correlated with job satisfaction (Schappe, 1998) and pay satisfaction (McFarlin & Sweeney, 1992), which in turn can be said to be strong elements of employee engagement.

An organization must be cognizant of efforts made by leadership and management to ensure that it show legitimate concern for employees regarding the distributive outcomes that not only the employees themselves receive, but those received by their colleagues.

### **3. Interactional Justice**

This type of justice refers to the quality of interpersonal treatment employees receive when procedures are implemented (Colquitt et al, 2001). There are four criteria for interactional justice; justification, truthfulness, respect and propriety (Colquitt, 2001). Interactional justice consists of two specific types of interpersonal treatment – interpersonal justice and informational justice (Colquitt et al, 2001).

Interpersonal justice deals with how employees are treated with politeness, dignity and respect by leadership and management – those who execute procedures and outcome distribution (Colquitt et al, 2001). Informational justice focuses on the explanations and information given to employees by leadership and management that provide detail on procedures and outcome distribution (Colquitt et al, 2001).

#### **b. Fairness**

The labeling of an organization as “fair” can be made off of the basis of perception and reality. Fairness is ideally seen and felt throughout all levels of the organization (thereby confirming it is real rather than just perceived) and can take many forms in the workplace; application of policies, procedures and

the presence of unions to help level the playing field. Equity, and in essence - fairness, is a key driver of employee engagement.

Other factors that impact perceptions of fairness include; proximity (how close an employee is to the situation and their level of involvement), expectations and entitlement (Beugré, 1998). Demographic factors also impact perceptions of fairness; level of education, occupational status, occupational tenure and gender – where men are more likely to perceive fairness as equity, whereas women are more likely to perceive fairness as equality (Beugré, 1998).

Employees who perceive unfairness in the workplace may experience feelings of under-appreciation, lack of respect and recognition. Furthermore, the presence of hierarchal divisions and cliques increases the potential for perceptions of unfairness, breaks connections between employees and prevents groups from working together (Axelrod, 2000). There is little doubt that perceptions of unfairness (regardless of whether or not they are warranted) will lead to lower levels of employee engagement. Employees who do not see things as fair in the workplace are more likely to withdraw and display negative behaviors.

However, it is not clear as to what extent employee engagement can influence perceptions of (un)fairness, nor how the reality of fairness affects employee engagement. However, fairness is considered to be one of the necessary conditions present leading to trust (Beugré, 1998), which is essential for employee engagement.

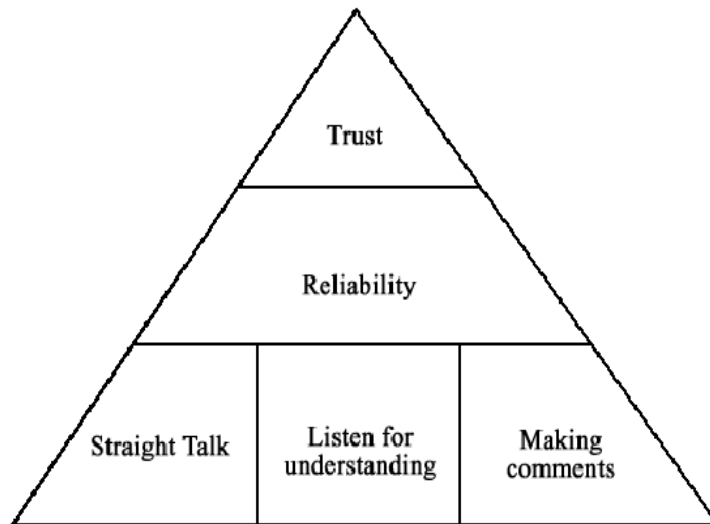
### **c. Trust**

As in any relationship, trust is among the essential traits that keep commitment and engagement strong. The employee – employer relationship is no different. Relationships evolve over time into trusting, loyal and mutual



commitments as long as the parties abide by certain “rules” of the exchange (Saks 2006). Trust is highly valued and can only be built up over time, but can be lost quickly.

The trust triangle was developed by Dr. John Carter at the Gestalt Institute and can be used by organizations as a guide to building trust. The first component of the triangle is straight talk. Ideally, leadership and management are “sharing all the information available in an honest and forthright manner” (Axelrod, 2000). Moving to the right along the base of the triangle, the next component is listening for understanding. By focusing closely on listening, more information is exchanged between the employer and employee and there is an increase in the level of trust in the sender by the receiver. Making commitments is the third element in the foundation of the triangle, as most importantly, “trust is built when commitments are kept” (Axelrod, 2000). If commitments cannot be fulfilled by the organization, going back to the first component of the triangle foundation (straight talk) to provide an explanation is necessary. Only after achieving the foundation can the organization move onto the next level of the triangle. Reliability is established by the organization through leadership and management over time following the foundation principles, eventually building up to the top level of trust.



**Figure 2.1 Building Trust In Organization**

**Source: John Carter and Axelord (2011)**

It is obvious that trust lies in the hands of the organizations' leadership and management. In order to build trust within the organization it is necessary to ensure that these individuals are not only personally involved in the organization, but that they also submit themselves to the same vulnerabilities and risks as their employees (Axelrod, 2000). For example, an organization that requires 360-degree feedback for performance management should ensure that all leaders and manager go through the same process. These individuals should set the example for employee behavior. With a strong bond of trust, employees are not only more likely to be engaged, but have faith and perceive that the organization is a fair place to work.

#### **d. Employee's engagement**

Organizations that wish to improve levels of employee engagement can focus on increasing and strengthening employees' perceptions of support they receive from the organization (Saks, 2006). Many organizations seem to have forgotten that perception begins at the onset of the employee-employer

relationship with the application process. The saying “you never get a second chance to make a first impression” is extremely fitting. These first impressions serve as a reference point to the employee in many ways. A fair application process should be the first touch-point for each and every employee.

Additionally, an increasingly important level of perception for an organization to monitor is the employees’ perception of diversity within the organization. This is true for all employees regardless of their majority or minority status. While the composition of an organization can affect an employees’ level of commitment, it is an employees’ “perception of fit” in terms of demographics and culture within their immediate workgroup that affects the level of employee engagement.

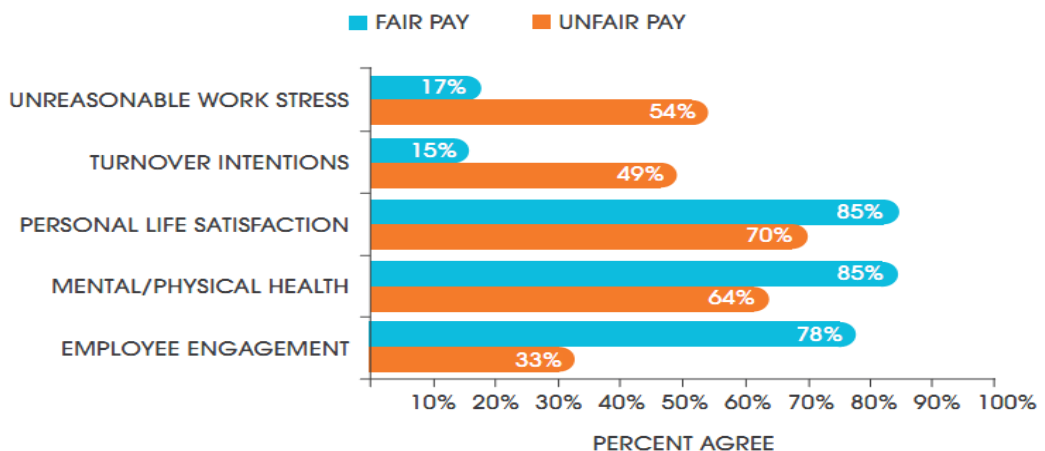
Organizational changes (including cost-cutting, structural change and role reduction) can quickly and easily lead to perceptions of unfairness and a decrease in employee engagement. However, it is important for organizations to note that it is not the changes per se that lead to employee perceptions of unfairness and lower levels of employee engagement, but the way in which employees are treated (or perceived to be treated) during implementation of specific changes (Beugré, 1998). Communication and trust are important drivers that must be utilized to ensure that employees perceive that they are treated with care and respect during these turbulent times.

#### **2.2.2.1 The Benefits of Pay Fairness**

Our research indicates that employees who believe they are fairly paid are more engaged, less likely to quit, experience less stress at work, feel healthier physically and psychologically, and are more satisfied with their personal life. Both an organization’s total rewards architecture and its culture can impact the way employees perceive the “fairness” of their pay. Compensation programs anchored firmly to the external market are

immediately credible from a fairness perspective, and organizational transparency can increase an employee's faith in the fairness of all corporate programs, including compensation. In addition, external forces like an employee's friends, family and co-workers can influence perceptions of fair pay. The increasing availability of salary data over the internet provides yet another point of triangulation as an employee considers the "fairness" of his or her pay.

Given the many forces that influence perceptions of fair pay, it is not surprising that a gap may exist between the objective fairness (and competitiveness) of an employee's pay, and his or her perception of whether the pay is "fair." If organizational leaders and compensation teams can help reduce the gap between employees' perceptions of fairness and the reality that pay has been calculated using a fair, consistent and rigorous methodology, they may be able to positively impact employees' lives both at and outside of work—and help their bottom line.



**Figure 2.2 Benefits of Fair Pay**

**Source: Rena Rasch and Mark Szytko, (2013)**

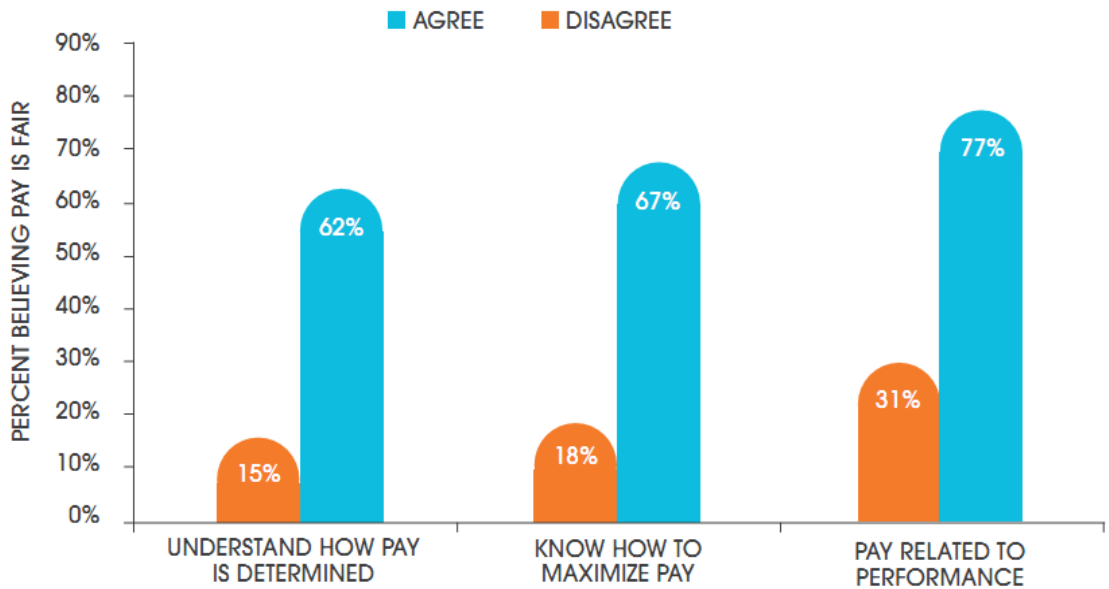
## **Drivers of faith Pay Fairness**

There are three key drivers of an employee's faith in the fairness of his or her pay (as shown in the table down)

- Understanding how pay is determined
- Knowing how to maximize pay
- Believing pay is related to performance

### **2.2.2.2 Building faith in Pay Fairness**

The data above suggest an employee's perception of pay fairness is largely a function of transparency. Although a startling number of employees do not perceive their pay to be fair, these perceptions can largely be controlled through involvement in and communication about compensation practices. If an employee has visibility into a compensation program, understands its general design and how it can be influenced, he or she will likely perceive that program to be more "fair." For this reason, even organizations with less lucrative pay packages can still leverage compensation as a tool to drive retention and engagement. Driving the right level of visibility into pay programs and philosophies while keeping in mind the organization's overall culture around transparency is no small task. Effective communication relies not only on the mechanics of communication, but also on the message itself. Compensation practitioners play a key role in driving this critical transparency.



**Figure 2.3 Faith in pay fairness**

**Source: Resource: Rena Rasch and Mark Szytko, (2013)**

Helping the Organization Understand How Pay is Determined  
Organizational leaders can do a number of different things to help their employees understand their pay. First, understand and accept that employees will seek out compensation data from external sources such as the internet, friends and colleagues, affinity group publications, and government publications.

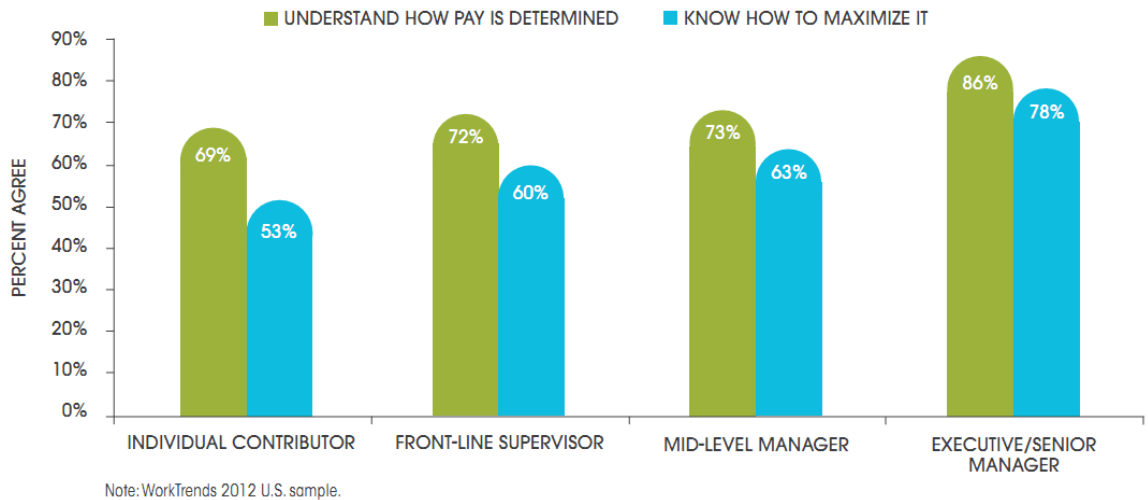
Absent context or education, they will likely use this data to judge the fairness of their own pay. Recognize that an employee who has sought this data is making an effort to be a more informed participant in the employer-employee dialogue, and represents an opportunity to close the gap between the perception of pay fairness and the reality that there are many valid reasons why the organization's compensation program does not "match" certain sources of external data.

Rather than taking a defensive position, try to understand their data and help them understand how it compares to the data the organization uses in the

context of setting pay. Take this opportunity to share your stated market position, the types of organizations you compare yourself to in conducting your market assessment and the breadth of your labor market as evidenced by the geographies you review in your assessment.

Second, build a communication program around pay transparency. Providing managers and field HR with visibility into the organization's compensation philosophy and policies will enable and empower them to have informed conversations with employees. Visibility may cover a wide spectrum, with some organizations revealing deep detail such as market rates and salary ranges, while others reveal only general policies. The "right" level of transparency reflects the organization's overall approach to information-sharing. Whether the culture is open or conservative, the information to be shared can still be communicated clearly, frequently and via multiple channels.

Finally, the pay discussion should not focus exclusively on base pay. Many organizations have introduced variable pay programs into the rewards mix, and need to ensure that employees understand not only the inherent value of variable pay programs, but also their influence on the market position and overall pay mix. Industry, organization size and level of maturity, organizational culture, and external economic conditions can all influence the mix of fixed and variable pay, cash and equity, benefits, and work-life balance. When employees understand the genesis of this mix they are better situated to maximize their earning potential through these programs.



**Figure 2.4 Understanding Pay at Organizational Levels**

**Source: Rena Rasch and Mark Szytko, (2013)**

### **Helping the Organization Understand How to Maximize Pay**

While base salary can be maximized to a modest extent via performance-based salary increases, most opportunities to maximize pay will involve variable compensation, including short- and long-term incentives. Ensure that managers and employees understand all variable pay/incentive programs, particularly the metrics that will determine the size and timing of any payout. Share examples of performance levels and the corresponding payout. If part of your compensation package is in the form of stock, make sure your employees understand exactly how stock plans work. Do not assume that your employees understand stock programs.

### **Helping the Organization Understand the Relationship of Pay to Performance**

Even seemingly simple salary increase programs can be easily misinterpreted by managers and employees. For example, “pay for performance” is often confused with “increase for performance.” Pay for



performance dictates that where an employee is paid in a salary range, should coincide with performance over an extended period of time.

Employees with higher levels of performance will be paid higher in the range and lower levels of performance will be paid lower in their range. This is in contrast to the increase for performance concept that would suggest that employees of equal performance would get equal increases with no regard to their position in range. Pay for performance is concerned with the employee's salary movement over time, while increase for performance is concerned only with the size of the current year increase.

### **2.2.3 Job satisfaction**

As job satisfaction is a widely researched and complex phenomenon, it follows that there are numerous definitions of the concept. Job satisfaction can be defined as an individual's total feeling about their job and the attitudes they have towards various aspects or facets of their job, as well as an attitude and perception that could consequently influence the degree of fit between the individual and the organization (Ivancevich & Matteson 2002; Spector 1997). A person with high job satisfaction appears to hold generally positive attitudes, and one who is dissatisfied to hold negative attitudes towards their job (Robbins 1993).

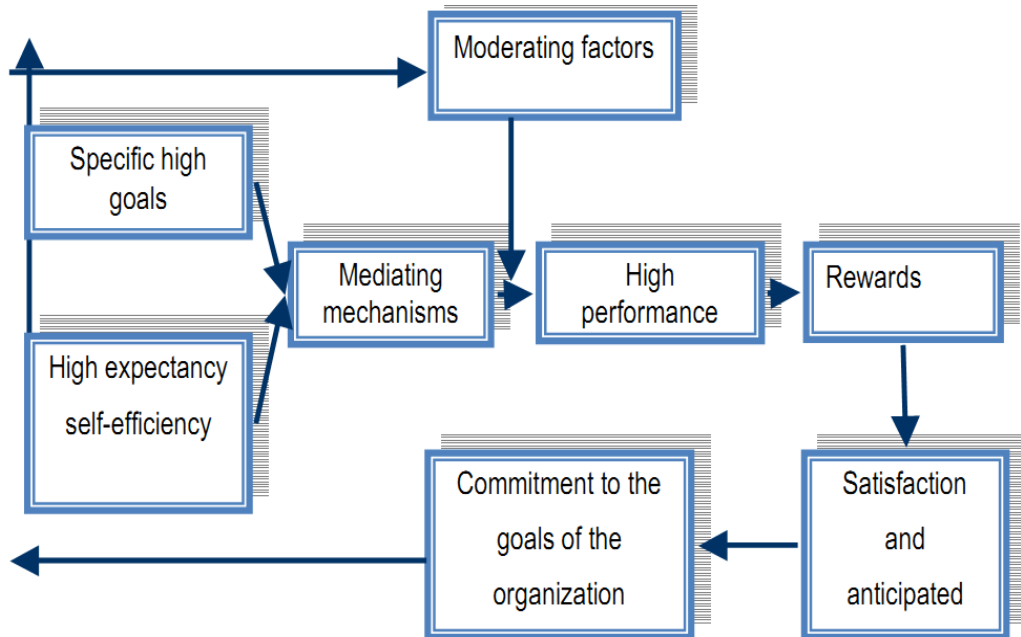
Spector (1997) explains that for researchers to understand these attitudes, they need to understand the complex and interrelated facets of job satisfaction. A facet of job satisfaction can be described as any part of a job that produces feelings of satisfaction or dissatisfaction (Spector 1997). This perspective can be useful to organizations that wish to identify employee retention areas in which improvement is possible (Saari & Judge 2004; Westlund & Hannon 2008).

Job satisfaction is a result of an individual's perception and evaluation of their job influenced by their own unique needs, values and expectations, which they regard as being important to them (Sempane et al. 2002). Research has indicated that job satisfaction does not come about in isolation, as it is dependent on organizational variables such as structure, size, pay, working conditions and leadership, which represent the organizational climate (Sempane et al. 2002). However, if job satisfaction is absent and other work opportunities present themselves, turnover could well increase (Martins & Coetzee 2007). Job satisfaction can be viewed as a reaction to a job, arising from what an individual seeks in a job in comparison with the actual outcomes that the job provides to the individual (Rothmann & Coetzer 2002).

According to Rothmann and Coetzer (2002), job satisfaction among employees is an indicator of organizational effectiveness, and it is influenced by organizational and personal factors. Most employers realize that the optimal functioning of their organization depends in part on the level of job satisfaction of employees, hence the emergence of the statement, "Happy employees are productive employees" (Saari & Judge 2004). For performance to be optimal an employee's full potential is needed at all levels in organizations; this emphasizes the importance of employee job satisfaction.

#### **2.2.3.1 Models of Job Satisfaction**

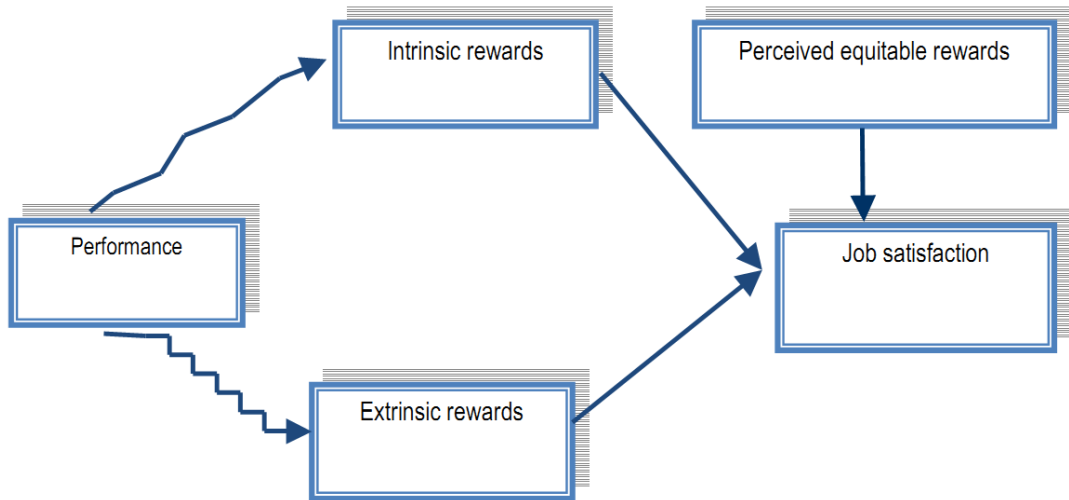
Locke and Latham (1990) provide a somewhat different model of job satisfaction. They proceed from the assumption that the objectives set at the highest level and high expectations for success in work provides achievement and success in performing tasks. Success is analyzed as a factor that creates job satisfaction. This model is presented in Figure down.



**Figure 2.5 Locke and Latham model**

**Source: Locke and Latham (1990).**

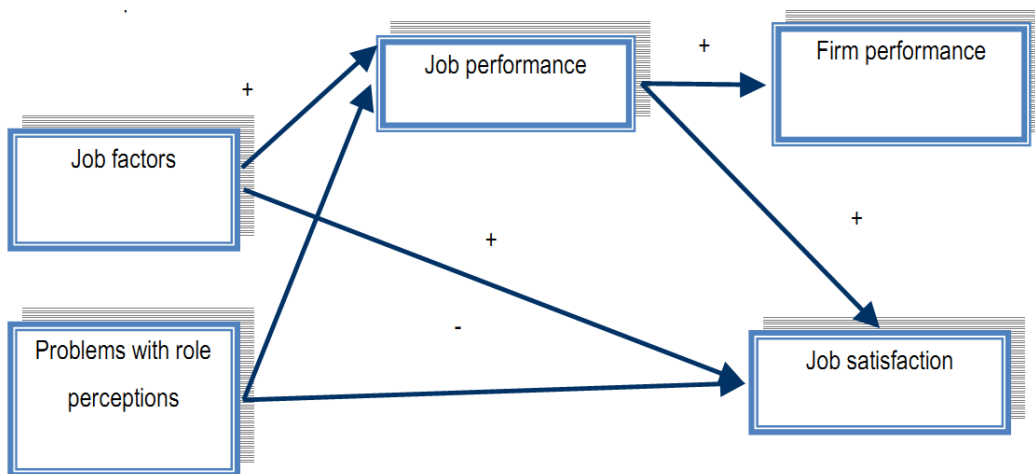
Lawler and Porter (1967) give their model of job satisfaction which unlike the previous model places a special importance on the impact of rewards on job satisfaction. According to this model the intrinsic and extrinsic rewards are not directly connected with job satisfaction, because of the employees perceptions regarding the deserved level of pay.



**Figure 2.6 Lawler and Porter model**

**Source: Lawler and Porter (1967).**

Christen, Iyer and Soberman (2006) provide a model of job satisfaction presented in which the following elements are included: Job related factors, Role perceptions, Job performance and Firm performance.

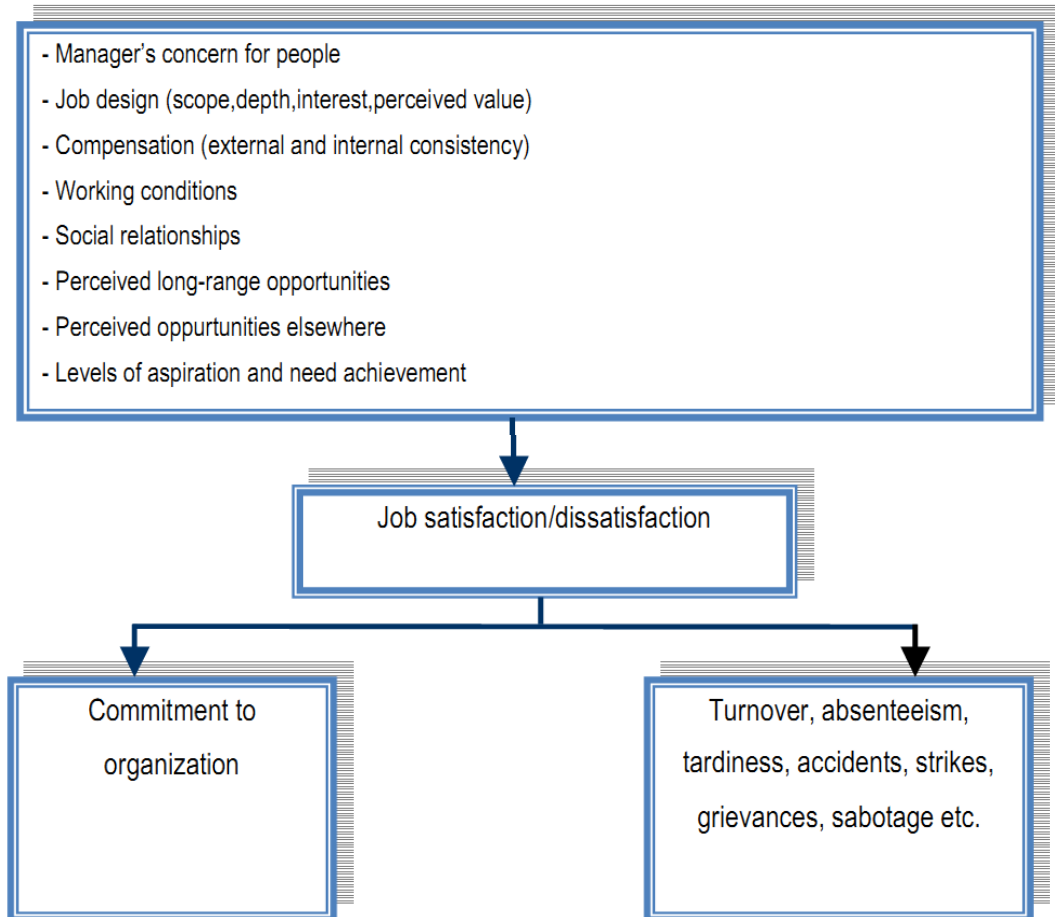


**Figure 2.7 Christen, Iyer and Soberman model**

**Source: Christen ET, (2006).**

### 2.2.3.2 Factors of Job Satisfaction

Job satisfaction is under the influence of a series of factors such as: The nature of work, Salary, Advancement opportunities, Management, Work groups and Work conditions. A somewhat different approach regarding the factors of job satisfaction is provided by Rue and Byaes, as following:



**Figure 2.8 Determinates of Satisfaction and Dissatisfaction**

**Source: RUE AND BYAES, (2003).**

When talking about factors of job satisfaction the fact that they can also cause job dissatisfaction must be kept in mind. Therefore the issue whether job satisfaction and job dissatisfaction are two opposite and excludable

phenomena? There is no consensus regarding this issue among authors. Herzberg's Two Factor Theory is probably the most often cited point of view. In fact the main idea is that employees in their work environment are under the influence of factors that cause job satisfaction and factors that cause job dissatisfaction.

Therefore all factors that have derived from a large empirical research and divided in factors that cause job satisfaction (motivators) and factors that cause job dissatisfaction (hygiene factors), Table below shows more explanation

Hygiene factors	Motivators
Company policies	Achievement
Supervision	Recognition
Interpersonal relations	Work itself
Work conditions	Responsibility
Salary	Advancement
Statuse	Growth
Job security	

**Figure 2.9 Job Satisfaction Factors**

**Source: HERZBERG, (1976)**

### **2.2.3.3 Supervision, nature of work and communication**

An immediate supervisor's behavior is also a determinant of job satisfaction (Spector 1997). Employee satisfaction increases when the immediate supervisor is understanding, friendly, offers praise for good performance, listens to employees' opinions and shows personal interest in them (Robbins 1993). The nature of the work may be influenced by the supervisor's behavior. The nature of work satisfaction is defined as the employees' satisfaction with the type of work they do (Spector 1997).

Employees prefer work that is mentally challenging in that it provides them with opportunities to use their skills and abilities and offers a variety of tasks, freedom and feedback on how well they are doing (Robbins 1993). The formation of specific goals, feedback on progress towards these goals, and reinforcement of desired behavior all stimulate motivation and require communication. The fewer distortions, ambiguities and incongruities that occur in communication within organizations, the more satisfied employees will feel with regard to their work (Robbins 1993).

#### **2.2.3.4 Fringe benefits and contingent rewards**

Spector (1997) divides fringe benefits into monetary and non-monetary benefits. Increasing intrinsic and extrinsic fringe benefits that attract an employee's attention may subsequently increase their performance and induce higher levels of organizational commitment (Suliman & Iles 2000). According to Spector (1997), examples of contingent rewards are appreciation, recognition and rewards for good work. Employee dissatisfaction may result if an employee perceives that their efforts are not recognized or that their rewards are not equitable tied to their performance or tailored to their needs (Robbins 1993). Contingent rewards support the reinforcement theory of motivation, in terms of which performance-relevant behaviors will increase in frequency if rewarded (Spector 2008).

#### **2.2.4 Organizational commitment**

Organizational commitment has an important place in the study of organizational behavior. This is in part due to the vast number of works that have found relationships between organizational commitment and attitudes and behaviors in the workplace (Porter et al., 1974, 1976; Koch and Steers, 1978; Angle and Perry, 1981). Furthermore, Batemen and Strasser (1984)

state that the reasons for studying organizational commitment are related to “(a) employee behaviors and performance effectiveness, (b) attitudinal, affective, and cognitive constructs such as job satisfaction, (c) characteristics of the employee’s job and role, such as responsibility and (d) personal characteristics of the employee such as age, job tenure” (p. 95-96).

Organizational commitment has been studied in the public, private, and non-profit sector, and more recently internationally. Early research focused on defining the concept and current research continues to examine organizational commitment through two popular approaches, commitment-related attitudes and commitment-related behaviors. A variety of antecedents and outcomes have been identified in the past thirty years (Angle and Perry, 1981; Mowday et al (1979; Hall, 1977).

The concept of organizational commitment has attracted considerable interest in an attempt to understand and clarify the intensity and stability of an employee’s dedication to the organization (Lumley 2010). In the context of the present study, organizational commitment is regarded as an attitude, as it relates to individuals’ mindsets about the organization (Allen & Meyer 1990).

Gbadamosi (2003) contends that the more favorable an individual’s attitudes toward the organization, the greater the individual’s acceptance of the goals of the organization, as well as their willingness to exert more effort on behalf of the organization. Mathieu and Zajac (1990) believe that developing a better perception of the progression associated with organizational commitment has an effect on employees, organizations and the world in general. The level of employees’ organizational commitment will possibly ensure that they are better suited to receiving both extrinsic rewards (which include remuneration and benefits) and psychological rewards (which include job satisfaction and associations with fellow employees) related to associations. Organizational commitment is generally assumed to reduce



abandonment behaviors, which include tardiness and turnover. In addition, employees who are committed to their organization may be more willing to participate in 'extra-role' activities, such as being creative or innovative, which frequently guarantee an organization's competitiveness in the market (Katz & Kahn 1978).

Organizational commitment is viewed as a psychological connection that individuals have with their organization, characterized by strong identification with the organization and a desire to contribute to the accomplishment of organizational goals (Meyer & Allen 1997). Meyer and Allen's (1991) three-component model of organizational commitment is therefore of relevance to this research. Meyer and Allen (1991) conceive of organizational commitment as reflecting three core themes, namely affective, continuance and normative commitment. Commitment can be seen as an affective point of reference towards the organization (affective commitment), acknowledgement of the consequences of leaving the organization (continuance commitment), and an ethical responsibility to stay with the organizations (normative commitment) (Meyer & Allen 1991).

#### **2.2.4.1 Definition of Commitment**

Multiple definitions of organizational commitment are found in the literature. Bateman and Strasser state that organizational commitment has been operationally defined as "multidimensional in nature, involving an employee's loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value congruency with the organization, and desire to maintain membership" (p.95). Mowday Steers and Porter (1979) identified commitment-related attitudes and discuss three major components of organizational commitment as being "a strong belief in and acceptance of the organization's goals, a willingness to exert considerable effort on behalf of

the organization, and a definite desire to maintain organizational membership”.

Sheldon (1971) defines commitments as being a positive evaluation of the organization and the organizations goals. According to Buchanan (1974) most scholars define commitment as being a bond between an individual (the employee) and the organization (the employer), though his own definition of commitment-related behaviors. Porter et al (1974).

Porter et al (1974) further characterize affective commitment by three factors (1) “belief in and acceptance of the organization’s goals and values, (2) a willingness to focus effort on helping the organization achieve its goals, and (3) a desire to maintain organizational membership”. Mowday et al (1979) further state that affective communication is “when the employee identifies with a particular organization and its goals in order to maintain membership to facilitate the goal” (p.225). Meyer and Allen (1997) continue to say that employees retain membership out of choice and this is their commitment to the organization.

#### **2.2.4.2 Themes of commitment**

Affective Commitment refers to the employee’s emotional attachment to, identification with, and involvement with the organization. Employees with a strong affective commitment continue employment with the organization because they want to do so. Continuance Commitment refers to an awareness of the costs associated with leaving the organization. Employees whose primary link to the organization is based on continuance commitment remain because they need to do so. Finally, Normative Commitment reflects a feeling of obligation to continue employment. Employees with a high level of normative commitment feel that they ought to remain with the organization. (p. 67)

In arriving at this definition, Meyer & Allen (1997) examined the differences and similarities of descriptions from other researchers. In arguing for three separate types of commitment, Allen & Meyer (1990) offered:

**a. Affective commitment**

Affective commitment is the individual's psychological or emotional connection to, identification with and participation in the organization (Meyer & Allen 1997). Employees who are affectively committed to the organization will probably carry on working for it because they want to (Meyer & Allen 1991). Individuals who are dedicated at an emotional level usually remain with the organization because they see their individual employment relationship as being in harmony with the goals and values of the organization for which they are currently working. Affective commitment development involves identification with the organization and internalization of organizational principles and standards (Beck & Wilson 2000).

**b. Continuance commitment**

Continuance commitment is regarded as an awareness of the costs associated with leaving the organization (Meyer & Allen 1997). Because of the individual's awareness or consideration of expenses and threats linked to leaving the organization, continuance commitment is considered to be calculative (Meyer & Allen 1997). Individuals with continuance commitment remain with a specific organization because of the money they as employees earn as a result of the time spent in the organization, and not because they want to. This differs from affective commitment, where individuals remain with an organization because they want to and because they are familiar with the organization and its principles.

### **c. Normative commitment**

Normative commitment can be explained as a sense of responsibility to continue employment with a specific organization (Meyer & Allen 1997). The internalized idea of responsibility and commitment allows employees continued membership that is appreciated by a specific organization (Allen & Meyer 1990). The normative element is seen as the commitment individuals consider morally appropriate regarding their remaining with a specific organization, irrespective of how much status improvement or fulfillment the organization provides the individual over the years (March & Mannari 1977).

#### **2.2.4.3 Involving of Affective, Continuance, and Normative Commitment**

While Meyer & Allen (1991) have used affective, continuance, and normative commitment to capture the multidimensional nature of organizational commitment, affective commitment is considered a more effective measurement of organizational commitment. Meyer & Allen (1997) buttressed their support for the importance of affective commitment by explaining that employees with strong affective commitment would be motivated to higher levels of performance and make more meaningful contributions than employees who expressed continuance or normative commitment.

In nine studies involving 2,734 persons, Dunham, Grube, & Castaneda (1994) examined how participatory management and supervisory feedback influenced employee levels of affective, continuance, and normative commitment. The researchers found that when supervisors provided feedback about performance and allowed employees to participate in decision-making, employee levels of affective commitment was stronger than both continuance

and normative. That is, employees indicated staying with the organization was more related to wanting to, rather than needing to or feeling they ought to.

In a study of 238 nurses, Cohen (1996) investigated the relationship between affective, continuance, and normative commitment and the following other types of commitment: work involvement, job involvement, and career commitment. Findings revealed that affective commitment was more highly correlated with all the other types of commitment. In other words, employees who remained with the organization because they wanted to were more likely to exhibit higher levels of commitment to their work, their job, and their career.

Irving, Coleman, & Cooper (1997) investigated the relationship between affective, continuance, and normative commitment and the outcome measures of job satisfaction and turnover intentions. Total participants for the study included 232 employees. Results revealed that job satisfaction was positively related to both affective and normative commitment. However, job satisfaction was negatively related to continuance commitment. All three types of commitment were negatively related to turnover intentions, with continuance commitment having the strongest negative relationship. Cohen & Kirchmeyer (1995) undertook a study to investigate the relationship between affective, continuance, and normative commitment and the non-work measure of resource enrichment. Their participants included 227 nurses from two hospitals. The researchers found positive relationships between resource enrichment and both affective and normative commitment. However, the relationship between continuance commitment and resource enrichment was negative. In effect, employees who were staying with the organization because they wanted to or felt they ought to, indicated higher involvement and enjoyment with work activities. Whereas, employees who were staying with

the organization because they felt they needed to indicated less involvement and dissatisfaction with work activities.

## **CHAPTER III**

### **RESEARCH CONCEPTUAL FRAMEWORK**

This chapter consists of three parts. The first part, discusses about the framework of thinking. The second part is the conceptual framework. The third part is the research model.

#### **3.1 Framework of Thinking**

Chapter two has explained the literature review. Prior studies found that leadership style has significant effect on both job satisfaction and organizational commitment. This effect may be positive or negative. Previous studies also showed that Pay fairness also has positive effect in most cases in both of job satisfaction and commitment to the organization. Prior studies found that relation between leadership style and job satisfaction is different related to the method of this leadership and effected with many factors. Styles of leadership can show the effect on followers and employees. While pay fairness didn't consider many factors as long as the payment is suitable to the work. Here, payment doesn't mean the money; maybe we can conclude trust, equity and fairness as kinds of payment to the employees. Prior studies also explained the effect of job satisfaction on organizational commitment. Actually, satisfaction can conclude many factors such as: leadership role and pay fairness that used in this research.

However, prior studies have been not analyzed the effect of both leadership style and pay fairness on both job satisfaction and organizational commitment. This research is a development of the previous studies which investigate the relationship among these variables.

## **3.2 Hypothesis of Research**

### **a. Leadership Style and Organizational Commitment**

Drucker (1993) indicated that the quality and performance of managers are the key criteria in deciding organizational success. An enterprise without a manager's leadership is not able to transmute input resources into competitive advantage. Therefore, it is clear that the leadership style of a manager has a close relation to the development of organization.

Based on this, Northouse (2007) described that leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Furthermore, Fertman & Liden, (1999) leadership style is the manner and approach of providing direction, motivating people and achieving objectives. Leadership styles are behavioral models used by leaders when working with others. As asserted by Chemers (2007) leadership is the executive of organizational intelligence in which leadership effectiveness is linked to organizational performance and truly important in each organization.

#### **Result of this study:**

Results showed that there is significant and meaningful correlation between leadership styles sub-scales and job satisfaction. Thus, the strength of the correlations obtained in the present research suggests that the overall leadership styles and its sub-scales have a significant role in job satisfaction.

- **Hypothesis (1):** There is a significant and meaningful correlation between leadership styles and job satisfaction.

### **b. Leadership Style and Organizational commitment**

Reichers (1986) claimed that organizational commitment was in reality a collection of commitments to multiple coalitions and constituencies



(e.g. owners/managers, rank-and-file employees, customers/clients). In an examination of this claim, Reichers (1986) undertook a study to measure the commitment of 124 mental health professionals. Her only significant correlation was between organizational commitment and top management's goals and values. Becker, Billings, Eveleth, & Gilbert (1996) also explored whether commitment to the supervisor or to the organization had the greatest impact on the performance ratings that supervisors gave to newly hired employees. From their study of 281 participants, the researchers found that commitment to the supervisor and the supervisor's values was more strongly related to performance ratings than was employee commitment to the organization.

#### **Result of this research:**

Result of this research confirms the results of the previous studies if there is a significant correlation between leadership style and organizational commitment. This significant effect maybe positive or negative related to the behavior of the leaders and top management.

- **Hypothesis (2):** leadership style has significant effect to organizational commitment.

#### **c. Pay Fairness and Job Satisfaction**

The average positive impact on job satisfaction of pay growth is an important finding. It is consistent with explanations for downward wage rigidity based on fairness, such as Akerlof's (1982) gift exchange model. Results confirm that job satisfaction suffers if earnings are cut, even more than would be expected given the general pay growth impact. However, this effect does not reflect the usual conception of loss aversion as a steepening of the satisfaction –pay growth relationship below a reference point. Instead, there is a step reduction in job satisfaction - Bewley's (1999) insult effect.

Results are reported for wage rate and earnings. Both might be relevant in terms of fairness. For hourly-paid workers, the basic hourly wage rate (excluding variable components such as bonuses) is generally thought most relevant: it comes close to the ideal of capturing the wage that is the focus of the employment contract Bewley (1999), Dickens et al (2007).

## **Result of this research**

For salaried workers, hourly earnings can be measured by their satisfaction of their salaries. In this research most of them were satisfied reflexing a high contact between pay fairness and satisfaction of their job.

- **Hypothesis (3):** pay fairness relates significantly and positively to job satisfaction.

### **d. Pay Fairness and Organizational Commitment**

Employee engagement is argued to be associated with; a sustainable workload, feelings of choice and control, appropriate recognition and reward, a supportive work community, fairness and justice, and meaningful and valued work (Saks, 2006). Similarly, according to a survey conducted in thirty-two countries by Walker Information, the factors that most influence employee commitment (and one could argue pay) are fairness, care and concern for employees, and trust (Frank, Finnegan & Taylor, 2004).

The thought is that if an organization treats its employees well, they will give back as much or more in terms of both physical and emotional commitment (Insightlink, 2005). But, employee engagement ultimately comes down an employee's desire and willingness to give discretionary efforts in their jobs (Frank, Finnegan & Taylor, 2004).

Organizational justice is defined as the impact of justice on effective organizational functioning and is best conceptualized as three distinct dimensions; procedural, distributive and interactional (Colquitt, 2001). The level(s) of justice influence the levels of perceived fairness by employees.

### **Result of this research**

After making this search and receive the answers of the questionnaire; there is a positive relationship between pay fairness and company commitment. When you pay more and give rewards, the employees will increase their loyalty to the company. This doesn't mean that we can deny the importance of other factors, such as: respect, understanding and good communication.

- **Hypothesis (4):** Pay Fairness has significant and positive effect to organizational commitment.

### **e. Job Satisfaction and Organizational Commitment**

Spector (1997) states that job satisfaction influences people's attitude towards their jobs and various aspects of their jobs. Job satisfaction is affected by personal and organizational factors, which cause an emotional reaction affecting organizational commitment (Mowday, Steers & Porter 1979). The consequences of job satisfaction include better performance and a reduction in withdrawal and counter-productive behaviors (Morrison 2008). Since job satisfaction involves employees' affect or emotions, it influences an organization's well-being with regard to job productivity, employee turnover, absenteeism and life satisfaction (Sempane, Rieger & Roodt 2002; Spector 2008). Motivated employees are crucial to an organization's success, and therefore understanding people in their jobs and what motivates them could be a driving force in strengthening organizational commitment (Schein 1996).

According to Kotze and Roodt (2005), a strong correlation has been empirically established between job satisfaction, employee commitment and retention. Organizational commitment is most probably affected by factors such as type and variety of work, the autonomy involved in the job, the level of responsibility associated with the job, the quality of the social relationship at work, rewards and remuneration, and the opportunities for promotion and career advancement in the company (Riggio 2009).

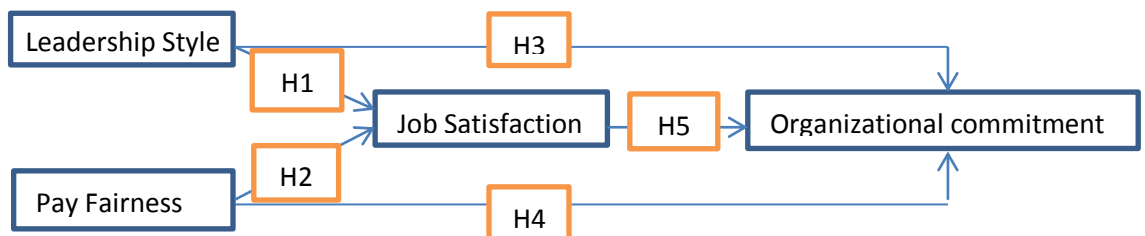
### Results of this research

In view of the apparent relationship between job satisfaction and organizational commitment, the following hypothesis was formulated for the purposes of this study reported on here:

- **Hypothesis (5):** Job satisfaction relates significantly and positively to organizational commitment.

### 3.3 Framework Model

Based on the explanations above, the conceptual framework is reported in figure 3.1 as following.



**Figure 3.1 The Conceptual Framework**

**Source: Primary Data of This Research**

Information in figure 3.1:

H1: The effect of leadership style on job satisfaction

H2: The effect of pay fairness on job satisfaction

H3: The impact of leadership style on organizational commitment.

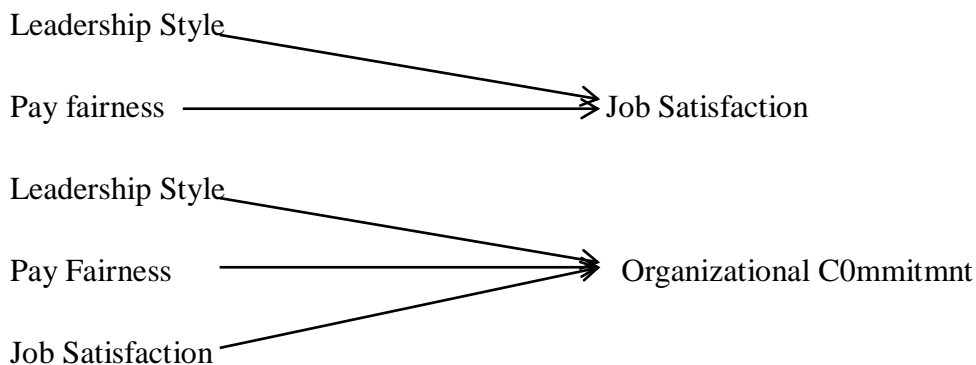
H4: The impact of pay fairness on organizational commitment.

H5: The effect of job satisfaction on organizational commitment.

### 3.4 Description the relation Among Variables

There is direct relation (positive relation) between leadership style, pay fairness and job satisfaction with organizational commitment. And there is an indirect relation, between leadership style and pay fairness to organizational commitment as shown in the figure 3.1 above.

The relationship among all varies almost explained in chapter II of this research, but here I just want summarize the relations, if have positive or negative effect in each other.



- All the variables up have positive effect on the organizational commitment as well.
- Between both of pay fairness and leadership style, there is no effect and each one is independent of each other.

## **CHAPTER IV**

### **RESEARCH METHOD**

This chapter addresses the approach of the study. It provides an explanation of the research design, details regarding the sample, the variables to be examined, chosen measurement instruments, technique of data collection, and data analysis techniques.

#### **4.1 Research Type**

Research type is explanatory research. Exploratory research helps determine the best research design, data collection method and selection of subjects. It should draw definitive conclusions only with extreme caution. Given its fundamental nature, exploratory research often concludes that a perceived problem does not actually exist. Exploratory research is not typically generalizable to the population at large. The results of exploratory research are not usually useful for decision-making by themselves, but they can provide significant insight into a given situation. The research of this study is categorized as quantitative method. Type of research method involves describing in details specific parameters using research tools like survey and investigation in order to establish facts and reach new conclusion. This research also was analyzed with the help of statistical tools to get answer of the research questions. Path analysis was chosen because path analysis is a statistical technique used to examine hypothesized (causal) relationships between two or more variables.

The questions of survey were separated in four forms related to each one of the subjects above. I also collected demographic and other information data of the study participants. These data included sex, part or full time, education, long of experience, age and department name as well. I also tried to choose samples from all the groups of employees.

## **4.2 Location of Research**

Nizar Embroidery is the art of embroidery Handicraft Company's Muslim fashion. It was established since 1992, which is in Bangil - Pasuruan. The business was originally based on a partnership with the embroidery and sewing artisans in the villages in the district Bangil. Gradually Nizar Embroidery focuses on using computerized technology because of the demands of the market. Results Nizar Embroidery products such as clothes and koko piety that uses cotton, because we believe these are the best ingredients in the world. By combining the art of hand embroidery (handmade) with embroidery computer system that we use is obtained quality embroidery art. Concentrating in producing Islamic cloths made this company leader in production and marketing this kind of cloths based on big population in Indonesia. Some of their productions are contributed to many countries such as Saudi Arabia, Yemen and Iraq. According to the company environment and employees or worker resident, information was collected in workplace for employees and workers who are working in the same place full and part time.

## **4.3 Population and Sample**

Populations in this research are the employees of NIZAR BORDIR Company. The workforce encompasses 520 employees. Bless, Higson-Smith and Sithole (2013) defined population as the complete set of events, people or things to which the research findings are to be applied. In this study, the research population constituted of heads of departments, supervisors and workers. To successfully conduct the research, proportionate random sampling procedure was used. Proportionate random sampling, according to Babbie (2013), is a modification of random sampling in which you divide the whole population into two or more strata based on one or more attributes. In this study, the participants were divided according to departments (i.e. Heads



of departments, superiors and employees). To ensure that samples adequately represent the relevant strata, 120 respondents were randomly selected from all departments. When choosing a sample, there are two important issues have considered: will the sample be representative of the population, and will the sample be precise.

Sample size of this research was selected as a total of 120 employees of population. Sample was almost 23% of population. Employees were from 4 departments participated in this study. Study participants included both supervisory and non-supervisory employees.

One way to determine the amount of sample that meets the matter, it was formulated by Slovin (Steph Ellen, eHow Blog, 2010; with reference Principles and Methods of Research; Ariola et al. (Eds.), 2006) as follows.

$$n = N / (1 + Ne^2) \quad \text{where:}$$

$n$  = Number of Samples

$N$  = Total Population

$E$  = Error Tolerance (tolerance error occurrence; level of significance; to social and educational typically 0.05)  $\rightarrow$  ( $e^2$  = squared).

$$N = 520, e = .08$$

$$n = 520 / (1 + 520 * .08^2) = 120$$

Sampling technique used proportionate random sampling. Several criteria were used to select sample as following:

- 1) The participants of the study were selected from all the departments of the company.
- 2) Participants were selected according to gender, experience, education and age.

- 3) Because there were approximately half of participant working as part of time, so the sample considered around half of part time workers.

The process of sample selection included the number of employees that meet criteria. The steps of sample selection process are summarized in the table 4.1. Based on those criteria, the demographic of employees were reported in the beginning of the following chapter.

**Table 4.1 Selection of Sample**

<b>NO</b>	<b>Department Name</b>	<b>No. of Sample</b>	<b>All Population</b>
1.	Production department	69	221
2.	Sales department	28	89
3.	Management (finance, accounting, etc...)	16	52
4.	Other service (promotion, and service or designing).	7	23

**Source: Primary Data of This Research, 2014**

#### **4.4 Research Variables and Operational Definitions**

The research variables were used in this study consist of dependent variables namely leadership style, pay fairness, job satisfaction and organizational commitment. On the other hand, to measure the effect of leadership style and pay fairness on job satisfaction and organizational commitment, this research considered leadership style and pay fairness as independent variables while job satisfaction and organizational commitment as dependent variables. An operational definition is measurement of a variable and for assigning a value of the case for the variable. Research variables and operational definitions will be explained in the next discussion.

### 1. Leadership style

A leadership style is a leader's style of providing direction, implementing plans, and motivating people. Indicators that used in research to describe leadership style in this research were collected between Transformational leadership (Charisma, Idealized Influence and Inspiration Motivation) and Transactional leadership (Contingent Rewards and Management by Exception (active)).

### 2. Pay fairness

The quality of treating people equally or in a way that is right or reasonable is fairness. Pay fairness can indicate by (Justice, Fairness, Trust, Employee's Engagement and Rewards & bonuses).

### Job Satisfaction

Job satisfaction is employee's satisfaction of their jobs. Indicators of job satisfaction that was included in this research are Supervision, Fringe Benefits, Rewards and co-worker Satisfaction.

### 3. Organizational commitment

Commitment to the organization related to many factors. In this research, there are 12 items for explaining indicators of organizational commitment (affirmative, continence and normative).

**Table 4.2 Operationalization of Variables**

NO	Variables	Indicators	Items
1.	Leadership Style (X1)	Transformational leadership - Charisma - Idealized Influence - Inspiration Motivation	- Articulate - Perceptive - Self-Confidence - Friendliness - Sensitive - Dependability

		<p>Transactional leadership</p> <ul style="list-style-type: none"> <li>- Contingent Rewards</li> <li>- Management by Exception (active):</li> </ul>	<ul style="list-style-type: none"> <li>- Trustworthiness</li> <li>- Empathic</li> <li>- Taking risks</li> <li>- Providing Structure</li> <li>- Encouraging</li> <li>- Recognizing &amp; valuing other</li> <li>- Finding practical solutions</li> <li>- Leader Energetic</li> <li>- Sensing Understanding</li> </ul>
2.	Pay Fairness (X2)	<ul style="list-style-type: none"> <li>- Justice</li> <li>- Fairness</li> <li>- Trust</li> <li>- Employee's Engagement</li> <li>- Rewards &amp; bonuses</li> </ul>	<ul style="list-style-type: none"> <li>- Proud of work for company</li> <li>- Long Term Welfare</li> <li>- Provided Training</li> <li>- I like my job i.e the work I do</li> <li>- Behavior of superior is fair.</li> <li>- Adequate opportunity</li> <li>- Recognize accomplishment</li> <li>- Safety &amp; Health Standard</li> <li>- Receive prize</li> <li>- Healthy Insurance</li> <li>- Superior recognizing performance</li> <li>- Treats all employees same.</li> <li>- Salary</li> <li>- fairness of mediate superior</li> <li>- turnover of employee</li> </ul>
3.	Job Satisfaction (Y1)	<ul style="list-style-type: none"> <li>- Supervision</li> <li>- Job Characteristics</li> <li>- Rewards</li> <li>- co-worker Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>- Connection Pay &amp; Performance</li> <li>- Flexibility</li> <li>- Opportunity for Advancement</li> <li>- Influence Decision</li> <li>- Opportunity of technologies</li> <li>- Communication with Superiors</li> <li>- Received Recognition</li> <li>- Supervisors Management</li> <li>- Relationship with customers/clients/end users</li> <li>- Supervisor's capabilities</li> <li>- Relationship with Peers</li> <li>- Understanding Mission</li> <li>- satisfaction with company</li> <li>- satisfaction with Job</li> </ul>
4.	Organizational Commitment (Y2)	<ul style="list-style-type: none"> <li>- Affective Commitment</li> </ul>	<ul style="list-style-type: none"> <li>- Willing to help Organization</li> <li>- Talking up this organization to friends as a great organization</li> </ul>

		- Continuance Commitment  - Normative Commitment	- Accept almost any type of job - My values are organization's values - Proud to tell others, I am working for this company. - I will not work for other company gives same salary. - Company inspires best in me - Extremely glad I chose this organization. - Much to be gained to sticking in this company. - Agree with Company Policies. - I care about fate of Company. - High loyalty to company.
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**Source: Primary Data of This Research**

## 4.5 Description of Instruments

This research was conducted using two separate instruments. The instruments were completed using a self-report, pencil and paper method. Following is an overview of the instrumentation selection process and a discussion of the instruments that were used as part of this research.

### 1. Leadership Style Questionnaire:

There were 15 questions; these questions include many traits of leaders and their behaviors such as: Communicates effectively with others, Discerning and insightful, Believes in oneself and one's ability, Shows kindness and warmth, Shows tolerance, is tactful and Is consistent and reliable, Is authentic, inspires confidence, Understands others, identifies with Others, Taking risks and initiate action, Providing structure and organization to work or to teams. Encouraging and showing support for others, Recognizing and valuing other, finding practical solutions. And Leader is as an energetic person, Sensing and understanding people's needs or motivations.

Also there are other information like, sex, part time or full time and which department they are working in. In this part I used number from (1) strongly disagrees to (5) strongly agree to measure the employees and workers opinion about their leaders.

**a. Multifactor Leadership Questionnaire (MLQ Form 5X)**

Here, I will show some of pervious instruments that used before to measure the leadership and its styles:

- Bass's (1985) initial Multifactor Leadership Questionnaire (MLQ) included the five subscales of charisma, individualized consideration, intellectual stimulation, contingent reward, and management-by-exception. Later, Bass & Avolio (1990) introduced the Multifactor Leadership Questionnaire Form 5R (MLQ Form 5R), which contained six subscales: charisma, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, and management-by-exception.
- In 1995, Bass & Avolio presented the Multifactor Leadership Questionnaire Form 5X (MLQ Form 5X). This new version of the MLQ contained nine subscales: idealized influence (attributed) idealized influence (behavior), inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management-by-exception (active), management-by-exception (passive), and laissez-faire.
- Bass & Avolio (1995) categorized these subscales into three groups: (a) idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, individualized consideration are considered transformational leadership (measures of relations-oriented leadership behaviors); (b) contingent reward, management-by-exception (active), and

management-by-exception (passive) are considered transactional leadership (measures of task-oriented leadership behaviors); and (c) laissez-faire is considered non-leadership (measures neither relations-oriented nor task-oriented leadership behaviors).

- The MLQ Form 5X is self-scoring and uses 36 items to measure the nine subscales. These items are rated using a 5-point Likert scale with anchors labeled as 0 = not at all, 1 = once in a while, 2 = sometimes, 3 = fairly often, 4 = frequently, if not always. In developing items for the MLQ Form 5X, Bass & Avolio (1995) used several methods. First, they selected nine sample studies that had previously used the MLQ Form 5R. These samples were then subjected to a series of factor analysis, “which provided a base for selecting items that exhibited the best convergent and discriminant validities” (p. 9). Additional methods for item development included using partial least squares (PLS) analysis (Fornell & Larker, 1981) to select items for inclusion, soliciting recommendations from scholars in the field of leadership, and using Howell & Avolio's (1993) preliminary results with the earlier version MLQ Form 5R.

## **2. Pay Fairness questionnaire:**

This part contains (14) questions as well. Employees and other workers were asked not only satisfaction of pay, but about trust, understanding, fairness and their engagement in decision making especially about their environment and needs.

Some of the other questions like, proud to work of working in this company; company is concerned with the long term welfare of the employees, satisfaction with the training provided for my current job,

immediate superior deals with employees problems fairly, there is adequate opportunity for employees to move to a better job, company recognizes the accomplishment of employees, company has adequate safety & health standard, prize from work if well done, Health insurance with family, Superior recognizing performance, The way the company treats all employees, salary Relative to the rest of the staff etc...

There are other information like, sex, part time or full time and which department they are working in as shown down:

I used numbers from 1 to 5 to show the employees satisfaction in their work like if:

(1) Strongly unsatisfied, (2) somewhat unsatisfied, (3) normal, (4) somewhat satisfied, (5) strongly satisfied.

Previous journals show the way of measuring pay satisfaction and fairness:

Grund and Sliwka (2007) find that job satisfaction is positively related to both pay level and pay change using German Socio-Economic Panel data from 1994 to 2002. Grund and Sliwka (2007) do not distinguish between nominal and real changes (nominal pay is used but year dummies control for price changes) and nor do they investigate nonlinearities. Kawaguchi and Ohtake (2007), using Japanese survey data from 2000, find that worker' satisfaction with annual compensation and their change in morale over the past three years are both reduced by nominal pay freezes (relative to raises), and reduced further by nominal cuts. (The Japanese survey was undertaken during deflation and there is no information about whether the nominal cuts involved real cuts or raises.) Other work has bypassed utility and focused instead on effort or performance. This literature includes laboratory and field experiments, as well as non-experimental field data. A direct investigation of utility (as proxies by job satisfaction) has some advantages. Performance is a noisy



measure of the underlying utility response, as it might also reflect reputational considerations, strategic responses to pay changes, or reactions to changes in future rents. For example, workers might withdraw their effort after a pay cut in order to punish the firm.

By studying job satisfaction rather than performance, this study avoids confusing reputation and strategic effects as fairness responses.

### **3. Job Satisfaction questionnaire:**

This part have (15) questions explaining the status of the employees and workers about job and satisfaction in this job. These questions include:

Salary, Frequency and amount of bonuses, Connection between pay and performance, Flexibility of work hours, Opportunity for advancement, Ability to influence decisions that affect you, Opportunity to use new technologies, Communication with your supervisor, Recognition received from your supervisor, Your supervisor's management capabilities, Your overall relationship with your supervisor, Your relationship with your peers, Your relationship with customers/clients/end users, Your understanding of the business mission, Your overall satisfaction with your company, Overall satisfaction with your job.

There are many workers in this part working hourly, this considered in this research like part time.

### **4. Organizational Commitment questionnaire:**

This was the important part of survey, and this part of questionnaire includes (12) questions.

The way of choosing these questions is to measure level of employee's commitment to the company. The questionnaire includes many different types of questions including:

Willing to help organization be successful, talking up this organization to friends as a great organization, accepting almost any type of job assignment in order to keep working for this organization, values of employees and the organization's values are very similar.

working for another organization giving same salary and more benefit will not be better for the employees, This organization really inspires the best in employees, There's much to be gained by sticking with this organization, find it difficult to agree with this organization's policies.(reversed), the employees are really care about the fate of this organization. Deciding to work for this organization was a good choice on their part, having many good friends and they fell like a family.

#### **b. Porter's et al. Organizational Commitment Questionnaire (OCQ)**

Constructed to measure employees' satisfaction and level of involvement in the organization, the Porter, Steers, Mowday, & Boulian (1974) OCQ is a 15-item instrument. An examination of the psychometric properties of the OCQ by Mowday, Steers, & Porter (1979) revealed internal consistency among the items, test-retest reliability, and evidence for the predictive validity of the instrument. However, the authors offered several cautions to users of the instrument. One was that respondents could easily manipulate the scores. Another was that the internal consistency of a 9-item scale was "generally equal to the full instrument" (Mowday, Steers, & Porter, 1979, p. 244).

Comments by the authors caused concern about the OCQ's usefulness as a measure of organizational commitment. Also, the Porter, Steers, Mowday, & Boulian (1974) OCQ does not specify a clear

delineation among the types of organizational commitment. For these reasons, the Meyer & Allen (1997) OCQ was selected as the measure of organizational commitment for this research.

### **c. Meyer & Allen's (1997) Organizational Commitment Questionnaire (OCQ)**

Meyer & Allen (1984) initially proposed making distinctions between two types of commitment: affective commitment and continuance commitment. Affective commitment denoted a sense of belonging and emotional attachment to the organization, whereas, continuance commitment emphasized the perceived costs of leaving the organization. Allen & Meyer (1990) subsequently introduced a third component of commitment, normative commitment, which reflected the perceived obligation to remain with the organization. Later, Meyer, Allen, & Smith (1993) revised the normative commitment scale to clarify the distinction between affective commitment and normative commitment.

While the earlier versions (Meyer & Allen, 1984, 1991; Allen & Meyer, 1990) of the OCQ contained 24 items (8 items for each scale), the later version by Meyer, Allen, & Smith (1993) and Meyer & Allen (1997) only contained 18 items (6 items for each scale). Although the items were reduced, this change primarily affected the normative scale, not the affective and continuance scales (Meyer et al., in press).

The Organizational Commitment Questionnaire (OCQ) is a self-scoring questionnaire. Responses to each of the 6 items are rated using a 5-point Likert scale with anchors labeled:

0 = strongly disagree, 1 = disagree, 2 = neither agree nor disagree, 3 = agree, 4 = strongly agree.

#### **4.6 Data Source**

The data type in this study is quantitative data. The data source in this research is both primary and secondary data. Primary data was collected by survey and investigation. Secondary data was collected from the annual report of the company.

#### **4.7 Data Collection**

Data collection technique is intended to obtain materials that are relevant, accurate and reliable. Method of data collection in this research used two ways: primary data collected by survey and investigation, secondary data by using documentary data technique. Documentary technique involves the use of official documents as source of materials. In this research, I used the official documents were issued by the company such as annual report of the company.

#### **4.8 Data Analysis Techniques**

Data analysis technique is an attempt to find the answer of the research hypothesis. There are two methods of data analysis used in this research. Those methods will be explained in the next discussion.

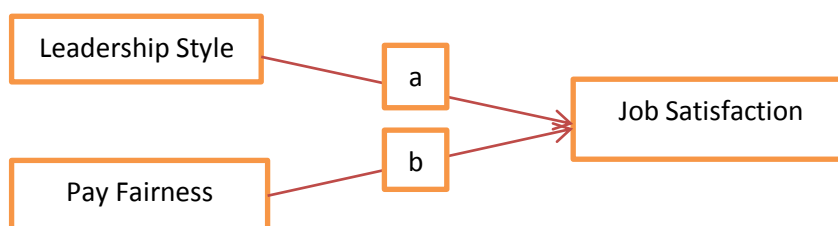
##### **a. Descriptive Statistical Analyses**

Descriptive statistical analysis aimed to give a description of data that used in the research. Descriptive statistical analysis in this research described the data for each indicator that used to measure latent variables. In this part, the data will be described in terms of minimum value and the maximum value in table.

Descriptive statistical analysis of leadership style, pay fairness, job satisfaction and organizational commitment will be described.

### b. Inferential Statistical Analyses

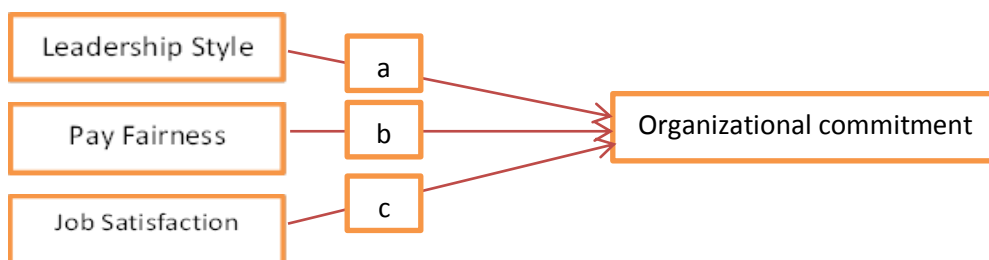
This part includes explanations about leadership style and pays fairness to measure the relationship between them with job satisfaction and organizational commitment, the effect of job satisfaction on organizational commitment as well. Here is the first part on path analysis that shows the effect of leadership style and pay fairness on job satisfaction.



**Figure 4.1 Part one of Analysis Steps**

- a. Impact of Leadership Style on Job Satisfaction.
- b. Impact of Pay Fairness on Job Satisfaction.

Part two of this path analysis shows the effect of leadership style, pay fairness and job satisfaction on organizational commitment.

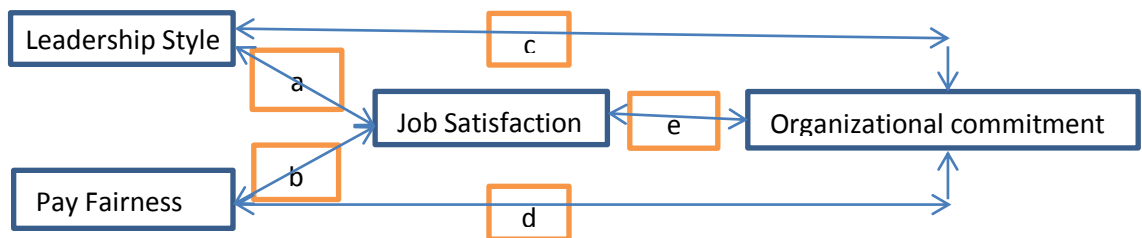


**Figure 4.2 Part two of Analysis Steps**

- a. Effect of Leadership Style on Organizational Commitment.
- b. Effect of Pay Fairness on Organizational Commitment.
- c. Effect of Job Satisfaction on Organizational Commitment.

### Path analysis

Usually a path analysis involve the analysis and comparison of two models-a “full model” with all of the possible paths included and a “reduced model” which has some of the paths deleted, because they are hypothesized to not contribute to the model.



**Figure 4.3 Path Diagram**

Information about path diagram:

- a. Relation between leadership style and job satisfaction
- b. Relation between pay fairness and job satisfaction
- c. Relationship of leadership style and organizational commitment
- d. Relationship of pay fairness and organizational commitment
- e. Relationship between job satisfaction and organizational commitment.

The path coefficients for the full model (with all the arrows) are derived from a series of “layered” multiple regression analysis. For each multiple regression, the criterion is the variable in the box (all boxes after

leftmost layer) and the predictors are the variables that have arrows leading to the box.

For the full model above, we will need two layers of multiple regressions:

1. with (JS) as the criterion and LR & PF as the predictors.
2. with (OC) as the criterion and LR, PF and JS as the predictors.

One of the nice things about SPSS is that it will allow us to start with a correlation matrix, we don't need the raw data – this is nice because more articles now include the correlation matrix of the variables, providing us an opportunity to reanalyze their variables using this model.

### **Portraying the full bath model**

- The path coefficients are the (Beta) weights from the multiple regression analyses.

- The “e” values (roughly error variance) are computed as radical  $(1 - R^2)$ .

For calculating error e for job satisfaction and organizational commitment as following:

$$e_{AM} = \sqrt{(1 - R^2)}$$

While some path analyses are “descriptive” in that they compute and describe this sort of “full model” others test hypotheses about which model paths do not portray causal links among variables. Below is such a reduced model.

This model posits that there is no effect of leadership style on both job satisfaction and organizational commitment. Also pay fairness has direct effect of job satisfaction and indirect effect upon organizational commitment through job satisfaction. Job satisfaction influences organizational commitment too.

Once again, two multiple regression models would be used to obtain the path coefficients. The two layers don't require an actual multiple regression model, because there is only one predictor for each layer.

So for job satisfaction as criterion and pay fairness as predictor:

$$R^2 = r^2, e_{AM} = (1 - R^2) =$$

### Testing the reduced or hypothesized model

Testing the reduced model involves comparing how well it fits the data compared to how well the full model fits the data. This is much like the  $R^2\Delta$  test for comparing nested models. As with those analyses, the test of the models actually tests the average contribution of the predictors (paths) being deleted from the model, so result from dropping several predictors can be uninformative or misleading.

$$\text{Fit of the full model} \quad 1 - \pi(e^2)$$

$$\text{Fit for the reduced model} \quad 1 - \pi(e^2)$$

The summary statistic showing the relative fit of the reduced model to the full model is

$$Q = \frac{1 - \text{fit of full model}}{1 - \text{fit of reduced model}}$$



## **CHAPTER V**

### **RESEARCH RESULTS AND DISCUSSION**

This chapter contains results and discussions of the study. Findings about the demographics of study participants, preliminary analyses of the data, and the statistical analyzes used to answer the research questions, followed by discussion about every part of these findings. The chapter concludes with a summary of the findings.

#### **5.1 Nizar Bordir at Glance**

Nizar Embroidery is the art of embroidery Handicraft Company's Muslim fashion. It was established since 1992, which is in Bangil - Pasuruan. The business was originally based on a partnership with the embroidery and sewing artisans in the villages in the district Bangil. Gradually Nizar embroidery Embroidery focus on using computerized technology because of the demands of the market. Results Nizar Embroidery products such as clothes and koko piety that uses cotton, because we believe these are the best ingredients in the world. By combining the art of hand embroidery (handmade) with embroidery computer system that we use is obtained quality embroidery art.

Nizar Bordir also aspires to be a model Islamic business, by applying sacred Islamic values to a contemporary, multinational company. They follow fair trade and ethical labor practices, pursue a path of perfection by producing clothing of the highest standards, and apply Islamic financial and investment principles, avoiding interest-based financing.

## 5.2 Description of Sample

Participants in this survey were 120 employees and workers, these participants were selected from four departments (sale department, production department, management and other services).

Average of long of experience in the related company was around 8 years for most employees while for their immediate supervisor was a little over 5 years. Over 70% were non-supervisors. Education levels varied, some of them, they may have not educated at all. Time of work is approximately 8 hours for regular employees while others who are working for part time is unknown. (47) Of participant were males, around 40% of participants. (73) of them were females, around 60% of participants. (66) Of participants were working for part time, almost 55% of participants. (54) of them were working full time, almost 45% of participants. Many of these who are working as full time are working in management or sale department. There is also information such as: education, long of experience and age of the participants. The table down is included all these information.

**Table 5.1 Demographics of sample**

Demographic	number	Percent
Sex	N = 120	100 %
Female	F = 73	60 %
Male	M = 47	40 %
Time	Mean = 8 hours	
Part time	66employees	55 %
Full time	54 employees	45 %
Having Supervisors	N = 120	
Yes	85 workers	70 %

No	35 workers	30 %
Age	N = 120	% 100
20 or below	2 employees	1.6 %
20 – 25	17 employees	14 %
26 – 30	53 employees	44 %
31 – 37	41 employees	34 %
38 or above	7 employees	6 %
Experience	N = 120	%
Under 5 years	43 employees	35 %
5 – 10	56 employees	46 %
More than 10 years	21 employees	19 %
Education	N = 120	%
Not holding degree	36 workers	30 %
Holding degree	(84) employees	(70 %)
BS	47 employees	55 %
MS	6 employees	8 %
Other degree	31 employees	37 %

**Source: Primary Data of This Research, 2014**

### **5.3 Descriptive Statistics**

Descriptive statistical analysis was aimed to describe the data briefly used for each variable. Description of the data is important because it can be used as a basic analysis before continued into inferential analysis. Descriptive statistical analysis in this research described the data for each variable and indicators of these variables that used to measure latent variables.

### 5.3.1 Leadership Style

Leadership style is one of the main mutative in the organization. Some of indicators that were used in this research to determine the situation of leadership role were collected of two types of leadership. This two types are Transformational leadership (Charisma, Idealized Influence and Inspiration Motivation) and Transactional leadership (Contingent Rewards and Management by Exception (active)).

#### **Transformational leadership behavior**

1. **Charisma:** Charismatic leaders provide vision and a sense of mission, instill pride, and gain respect and trust. (Bass, 1990)

2. **Idealized Influence:** leaders behave as role models for their followers; they become admired, respected, and trusted. The leader's behavior is consistent rather than arbitrary, and the leader shares in any risks taken. The leader demonstrates high standards of ethical and moral conduct and avoids using power for personal gain. (Bass & Avolio, 1994)

3. **Inspiration Motivation:** Transformational leaders are inspiring and motivating in the eyes of their subordinates by providing meaning and challenge to their followers' work. They are able to energize employees' responses. (Yammarino, Spangler, & Bass, 1993; Bass & Avolio, 1994) They communicate high expectations, use symbols to focus efforts, and express important purposes in simple ways. (Bass, 1990).

#### **Transactional leadership behavior**

According to Bass (1985; 1990), transactional leadership is characterized by two factors of contingent reward, management-by-exception, and laissez-faire. Transactional leadership motivates followers by appealing to

their self-interest, whether it is subsidies, lucrative government contracts, campaign contributions, bonuses, or status.

1. **Contingent Reward:** These rewards are for good effort, good performance, and to recognize accomplishments.
2. **Management by Exception (active):** This behavior involves monitoring subordinates and correcting action, when necessary, to ensure that the work is carried out effectively. In other words, leaders watch and search for deviations from rules and standards.

According to the primary data, I used descriptive statistical analysis as a method to examine the indicators and mean of my data. Table 5.2 contains descriptive data for the indicators of leadership used in my questionnaire including 15 questions. This table shows the frequencies and percentage of all 15 indicators that were used to examine the leadership style of the company.

**Table 5.2 Descriptive Statistic of Leadership Style**

Ques.	SDA		DA		N		A		SA		Mean
	f	%	f	%	f	%	f	%	f	%	
X1.1	-	-	-	-	15	12.5	43	35.8	62	51.7	4,3917
X1.2	-	-	1	.8	10	8.3	58	48.3	51	42.5	4,3250
X1.3	-	-	-	-	14	11.7	55	45.8	51	42.5	4,3083
X1.4	-	-	2	1.7	10	8.3	57	47.5	51	42.5	4,3083
X1.5	-	-	1	.8	17	14.2	55	45.8	47	39.2	4,2333
X1.6	-	-	-	-	18	15	55	45.8	47	39.2	4,2417
X1.7	-	-	2	1.7	20	16.7	52	43.3	46	38.3	4,1833
X1.8	-	-	1	.8	11	9.2	59	49.2	49	40.8	4,3000
X1.9	-	-	-	-	14	11.7	53	44.2	53	44.2	4,3250
X1.10	-	-	-	-	14	11.7	50	41.7	56	46.7	4,3500
X1.11	-	-	1	.8	12	10	47	39.2	60	50	4,3833

X1.12	-	-	-	-	12	10	62	51.7	46	38.3	4,2833
X1.13	-	-	1	.8	16	13.3	59	49.2	44	36.7	4,2167
X1.14	-	-	2	1.7	13	10.8	50	41.7	55	45.8	4,3167
X1.15	-	-	1	.8	8	6.7	44	36.7	67	55.8	4,4750
<b>Total</b>											<b>4.3094</b>

**Source: Primary Data of This Research, 2014**

Indicators in the table were fifteen indicators; the main indicators of leadership style that already have explained at the beginning of this part will be explained as following:

**Charisma:** (X1, X2, X3); around 42% of participant's answer were strongly agree while 45% of them were agreed with high confidence of their leaders. Almost 11% of the answer were nether agree or dis agree.

**Idealized Influence:** (X4, X5, X6); 42% of the participants were strongly agreed and 48% were agreed, while 8% of them no different makes for them.

**Inspiration Motivation:** (X7, X8, X9); 39% of the participants' answers were strongly agree and 45% of the answers were agreed, while 15% of them were naturel.

**Contingent Reward:** (X10, X11, X12); 38% of participant's answers were strongly agree and 43% of the answers were agreed, while around 16% makes no different.

**Management by Exception (active):** (X13, X14, X15); 44% of the participants' answers were strongly agree and 41% of the answers were agreed, while 15% of them were naturel.

All the data above shows that, up to 80% of participant's opinions were strongly agree or agree. This result shows high satisfaction of leadership.

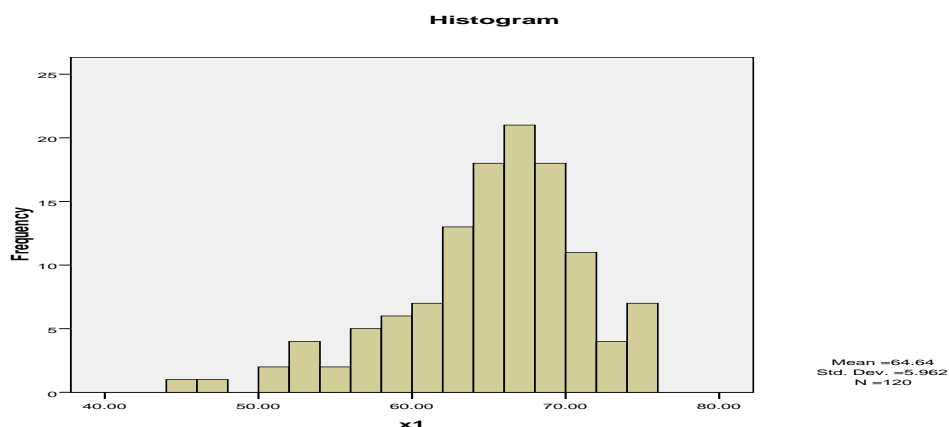
(SDA) Strongly Disagree, (DA) Disagree, (N) Natural, (A) Agree, and (SA) Strongly Agree. **Mean** of all indicators above 4 with **Total Mean 4.3094** which means there is the most effective leadership in the company and reflect the employee's satisfaction. Contributing of participants opinions was shown as: 0% strongly disagree, and 0.6% were disagreed, 11.5% normal, 44.3% agreed and 43.6% strongly agreed, table 5.3 shows numbers of participants of sample and percentage of all categories.

**Table 5.3 Numbers and Percentages in Leadership Style**

Respondent	SDA	DA	N	A	SA
Number	0	12	204	799	785
Percent	0%	0.6 %	11.5 %	44.3 %	43.6 %

**Source: Primary Data of This Research, 2014**

Histogram of participant's answers in Figure 5.1 shows that more than 80% of their answers were "between" (62 – 72) near to the top score or full score 75.



**Figure 5.1 Histogram of Leadership style**

This histogram shows the sum of participant's opinion between minimum and maximum (40-80). Average of the participant's opinion was 64.64 of total

sum 75. These results reflect a high and positive leadership style in the related company. (x1) in the horizontal line of histogram above is leadership style. Frequency in Vertical side of histogram shows the participant's number.

### 5.3.2 Pay Fairness

The importance of fairness in pay is the main factor of keeping employee's loyal to the organization. When the employees are satisfied, they will try their best to work hard. Many items were considered in this research to measure the situation of pay fairness in the company. The indicators were Justice, Fairness, Trust, Employee's Engagement and Rewards & bonuses.

- a. Justice:** Organizational justice is defined as the impact of justice on effective organizational functioning and is best conceptualized as three distinct dimensions; procedural, distributive and interactional (Colquitt, 2001). The level(s) of justice influence the levels of perceived fairness by employees.
- b. Fairness:** factors that impact perceptions of fairness include; proximity (how close an employee is to the situation and their level of involvement), expectations and entitlement (Beugré, 1998). Demographic factors also impact perceptions of fairness; level of education, occupational status, occupational tenure and gender – where men are more likely to perceive fairness as equity, whereas women are more likely to perceive fairness as equality (Beugré, 1998).
- c. Trust:** As in any relationship, trust is among the essential traits that keep commitment and engagement strong. The employee – employer relationship is no different. Relationships evolve over time into trusting, loyal and mutual commitments as long as the parties abide by certain “rules” of the exchange (Saks 2006). Trust is highly valued and can only be built up over time, but can be lost quickly.



- d. Employee's Engagement:** Organizations that wish to improve levels of employee engagement can focus on increasing and strengthening employees' perceptions of support they receive from the organization (Saks, 2006). Many organizations seem to have forgotten that perception begins at the onset of the employee-employer relationship with the application process. The saying "you never get a second chance to make a first impression" is extremely fitting. These first impressions serve as a reference point to the employee in many ways. A fair application process should be the first touch-point for each and every employee.
- e. Rewards & Bonuses:** In a competitive business climate, more business owners are looking at improvements in quality while reducing costs. Meanwhile, a strong economy has resulted in a tight job market. So while small businesses need to get more from their employees, their employees are looking for more out of them. Employee reward is one method of motivating employees to change work habits and key behaviors to benefit a small business.

In this part of research I used descriptive statistics as a way to examine the mean, standard deviation and other information of data for pay fairness. Table 5.4 contains descriptive data for the subscales of pay fairness used in the questionnaire including 15 questions. This table shows the frequencies and percentage of all 15 indicators that were used to examine the pay fairness of the company.

**Table 5.4 Descriptive Statistic of Pay Fairness**

Ques.	SDA		DA		N		A		SA		Mean
	f	%	f	%	f	%	f	%	f	%	
X2.1	1	.8	2	1.7	26	21.7	45	37.5	46	38.3	4,1083
X2.2	-	-	1	.8	18	15	48	40	53	44.2	4,2750

X2.3	1	.8	-	-	14	11.7	56	46.7	49	40.8	4,2667
X2.4	1	.8	2	1.7	18	15	55	45.8	44	36.7	4,1583
X2.5	-	-	1	.8	23	19.2	47	39.2	49	40.8	4,2000
X2.6	-	-	1	.8	19	15.8	55	45.8	45	37.5	4,2000
X2.7	-	-	5	4.2	11	9.2	51	42.5	53	44.2	4,2667
X2.8	-	-	3	2.5	19	15.8	45	37.5	53	44.2	4,2333
X2.9	-	-	1	.8	13	10.8	54	45	52	43.3	4,3083
X2.10	-	-	1	.8	25	20.8	42	35	52	43.3	4,2083
X2.11	-	-	1	.8	18	15	44	36.7	57	47.5	4,3083
X2.12	-	-	3	2.5	18	15	40	33.3	59	49.2	4,2917
X2.13	-	-	3	2.5	14	11.7	45	37.5	58	48.3	4,3167
X2.14	-	-	1	.8	12	10	44	36.7	63	52.5	4,4083
X2.15	-	-	2	1.7	14	11.7	39	32.5	65	54.2	4,3917
<b>Total</b>											<b>4.2627</b>

**Source: Primary Data of This Research, 2014**

In table above, fifteen indicators were used to examine the pay fairness in the company. The main factors were long term welfare, provided training, and safety & health standard.

**Justice** (X1, X2, X3); 44% of the participants were strongly agreed with the long term and safety in the company. 40% of the participants were agreed, while 15% of them were not agreed nether disagreed.

**Fairness** (X4, X5, X6); 40% of the participant's answers were strongly agreed with training in this company. 46% of them were agreed, while around of 11% of the participants were natural. This results shows that around 86 of participants were agreed or satisfied of fairness in the company.

**Trust** (X7, X8, X9); 44% of the participants were strongly agreed. 37% of them were agreed, while around 16% of the participants were none agreed nether disagreed.

**Employee's Engagement** (X10, X11, X12); 45% of the participants were strongly agreed. 38% of them were agreed, while around 14% of the participants were natural.

**Rewards & Bonuses** (X13, X14, X15); 52% of the participants were strongly agreed. 36% of them were agreed, while around 11% of the participants were none agreed nether disagreed.

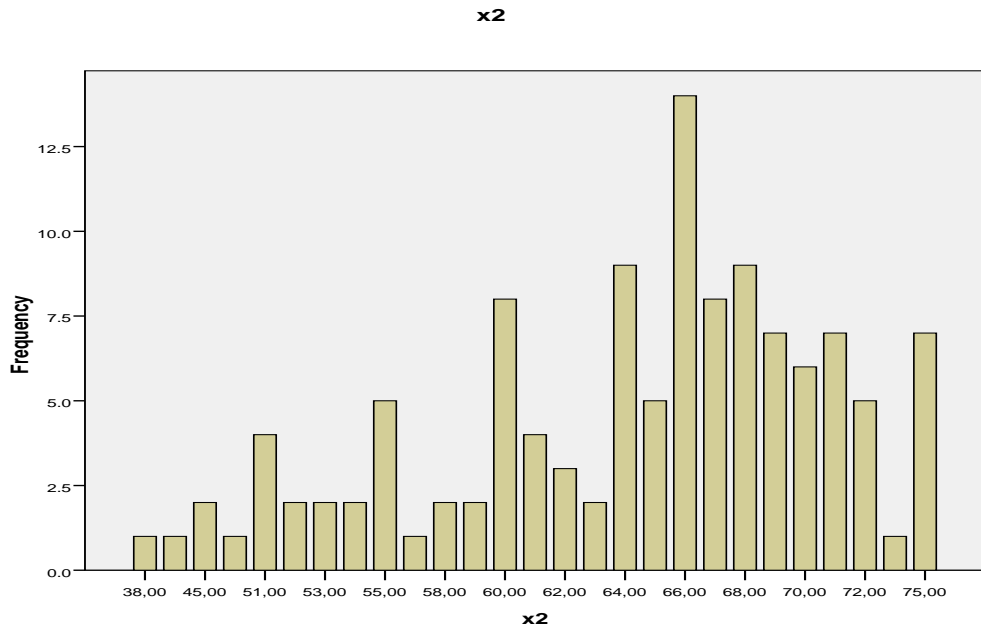
In the table above, (SDA) Strongly Disagree, (DA) Disagree, (N) Natural, (A) Agree, and (SA) Strongly Agree. **Mean** of all indicators above 4, with **Total Mean of 4.2627** that showing how the employees are satisfied in the company. Contributing of participants opinions was shown as: 0.2% strongly disagree, and 1.6% were disagreed, 14.5% normal, 39.4% agreed and 44.3% strongly agreed, table 5.5 shows numbers of participants of sample and percentage of all categories.

**Table 5.5 Sample Percentages and Numbers of pay fairness**

Respondent	SDA	DA	N	A	SA
Number	3	27	262	710	798
Percent	0.2 %	1.6 %	14.5 %	39.4 %	44.3 %

**Source: Primary Data of This Research, 2014**

Histogram of participant's opinion in Figure 5.2 shows that more than 80% of their answers were different "between" (38-75). These results reflect a high satisfaction of employee's opinions on pay.



**Figure 5.2 Histogram of Pay Fairness**

This histogram shows the sum of participant's opinion between minimum and maximum (30-80). These results show a satisfaction of employee's payment and fairness in the related company. (x2) in the horizontal lines of histogram above is pay fairness. Frequency in Vertical side of histogram shows the participant's number.

### 5.3.3 Job Satisfaction

Descriptive statistical analysis of job satisfaction based on the questionnaire included fourteen questions. The main subscales of job satisfaction are Communication with Superiors, Ability to influence decision and Opportunity for advancement.

- **Supervision:** Supervisory behavior has become the impeding scourge to the development and success of organizations (both public and private) in the country (Young 2009). The problem has not spared the Nigerian Police Force, which is the engine room of Nigeria Security system. Beaset (1994) posits that the nature and level of supervision is a factor, which can influence the satisfaction people derive from their work. Supervision involves technical knowledge, human relation, skill and coordination of work activities. The style of supervisory behavior employed by a supervisor is known to be an important factor leading to the success or failure of an organization (Adebayo 2007; Eseka, 2009).

- **Job Characteristics:** In relation to the job characteristics approach, research has revealed that the nature of an individual's job or the characteristics of the organization that the individual works for predominantly determines job satisfaction (Jex, 2002). According to Hackman and Oldham (1980), a job characteristic is an aspect of a job that generates ideal conditions for high levels of motivation, satisfaction, and performance. Furthermore, Hackman and Oldham (1980) proposed five core job characteristics that all jobs should contain: skill variety, task identity, task significance, autonomy, and feedback. Hackman and Oldham (1980), also defined four personal and work outcomes: internal work motivation, growth satisfaction, general satisfaction, and work effectiveness. These characteristics have been added to the more popular dimensions of job satisfaction assessment: the work itself, pay, promotional opportunities, supervision, and co-worker relations (Smith, Kendall, & Hulin, 1969).

- **Rewards:** Numerous researches have been conducting on rewards that are significantly related to job satisfaction. For instance Lam's et al. (2001) found that positive relationship between job satisfaction and rewards exists and rewards are considered key factor in determining job satisfaction of employee.

Rewards are divided into two categories intrinsic rewards and extrinsic rewards and these rewards further divided into subcategories (Clifford, 1985). Intrinsic rewards are the task significance, task autonomy and task involvement.

- **Co-worker Satisfaction:** As Hodson (1997) convincingly argued, the social relations of the workplace may make a key contribution to employees' job satisfaction, productivity and well-being. The present study however, places its focus on employee perceptions of co-worker support, as it is co-workers that employees are always in contact with on a day to day basis in a retail industry. Co-worker support refers to co-workers assisting one another in their tasks when needed by sharing knowledge and expertise as well as providing encouragement and support (Zhou & George, 2001).

Continuing the same way, in this part I used descriptive statistics as a way to examine the mean and the indicators of my data. Table 5.6 contains descriptive data for the subscales of job satisfaction used in my questionnaire including 14 questions. This table shows the frequencies and percentage of all 14 indicators that were used to examine the leadership role of the company.

**Table 5.6 Descriptive statistic of Job Satisfaction**

Ques.	1		2		3		4		5		Mean
	f	%	f	%	f	%	f	%	f	%	
Y1.1	-	-	2	1.7	15	12.5	48	40	55	45.8	4,3000
Y1.2	1	.8	-	-	13	10.8	53	44.2	53	44.2	4,3083
Y1.3	1	.8	1	.8	16	13.3	56	46.7	46	38.3	4,2083
Y1.4	-	-	2	1.7	22	18.3	48	40	48	40	4,1833
Y1.5	-	-	1	.8	17	14.2	54	45	48	40	4,2417
Y1.6	-	-	5	4.2	10	8.3	50	41.7	55	45.8	4,2917
Y1.7	-	-	1	.8	13	10.8	53	44.2	53	44.2	4,3167

Y1.8	-	-	1	.8	13	10.8	50	41.7	56	46.7	4,3417
Y1.9	-	-	-	-	23	19.2	43	35.8	54	45	4,2583
Y1.10	-	-	1	.8	18	15	45	37.5	56	46.7	4,3000
Y1.11	-	-	2	1.7	17	14.2	39	32.5	62	51.7	4,3417
Y1.12	-	-	3	2.5	13	10.8	48	40	56	46.7	4,3083
Y1.13	-	-	1	.8	11	9.2	42	35	66	55	4,4417
Y1.14	-	-	1	.8	22	18.3	50	41.7	47	39.2	4,1917
<b>Total</b>											<b>4.2881</b>

**Source: Primary Data of This Research, 2014**

The subscales used in the table shows high and positive connection between superiors and employees. The answers reflected the satisfaction of the employees of their superiors.

**Supervision (X1-X4);** 45% of the participants strongly agreed with a good communication with their superiors. 41% of them were agreed as well. 8% nether agree or disagree.

**Job Characteristic (X5-X8);** 40% of the answers were with strongly agree and 40% also were with agree. While 18% makes no different for them. This shows 80% of employee's opinion is positive and they can influence decision.

**Rewards (X9-X12);** 38% of participants strongly agreed and 46% of them agreed, while 13% were natural. The rest of 3% were disagreed.

**Co-worker Satisfaction (X13, X14)** 46% of participants strongly agreed and 38% of them agreed, while 14% were natural. The rest of 1% were disagreed

Numbers in the table (1) strongly disagree, (2) disagree, (3) natural, (4) agree, and (5) strongly agree. **Mean** of all indicators above 4, with **Total Mean of 4.2881** that showing how the employees are satisfied of their jobs in the company. Contributing of participants opinions was shown as: 0.1%

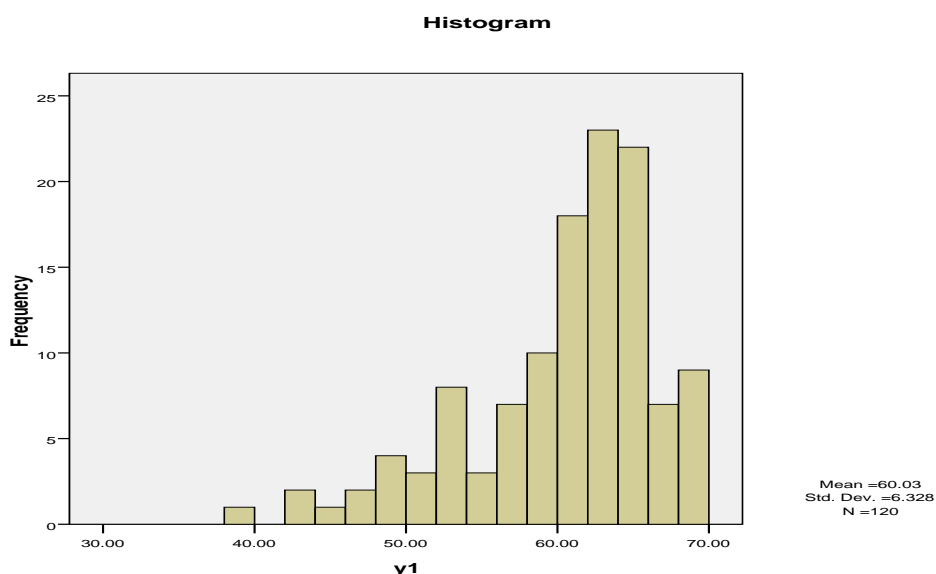
strongly disagree, and 1.4% were disagreed, 13.6% normal, 40.2% agreed and 44.7% strongly agreed, table 5.7 shows numbers of participants of sample and percentage of all categories.

**Table 5.7 Sample Percentages and Numbers of Job Satisfaction**

Respondent	1	2	3	4	5
Number	2	21	232	679	755
Percent	0.1 %	1.4 %	13.6 %	40.2 %	44.7 %

**Source: Primary Data of This Research, 2014**

Histogram of participant's opinion in figure 5.3 shows that more than 70% of their answers were different "between" (60-70).



**Figure 5.3 Histogram of Job Satisfaction**

This histogram shows the sum of participant's opinion between minimum and maximum (43-80). Average of the participant's opinion was 60.03 of total sum 75. These results reflect that the participants were satisfied in the related company. (y1) in the horizontal line of histogram above is job



satisfaction. Frequency in Vertical side of histogram shows the participant's number.

### 5.3.4 Organizational Commitment

In describing the application of their Organizational Commitment Questionnaire (OCQ) scales, Meyer & Allen (1997) do not provide guidance about expected, desired, average, or ideal means for affective, continuance, and normative commitment. Instead, Meyer & Allen (1997) and other researchers (Allen & Meyer, 1996; Dunham, Grube, & Castaneda, 1994; Hackett, Bycio, & Hausdorf, 1994; Whitener & Walz, 1993; Lee, 1992; Vardi, Wiener, & Popper, 1989) examined whether there was a positive or negative relationship between the different types of organizational commitment and the outcomes that are being measured, as well as the pattern for those findings. The desired pattern is highest scores for affective commitment, followed by normative commitment, then continuance commitment.

In this part I used descriptive statistical analysis as a way to examine the mean, standard deviation and other information of my data. Table 5.8 contains descriptive data for the subscales organizational commitment used in my questionnaire including 12 questions. This table shows the frequencies and percentage of all 14 indicators that were used to examine the organizational commitment of the company.

**Table 5.8 Descriptive Statistic of Organizational Commitment**

Resp.	1		2		3		4		5		Mean
	f	%	f	%	f	%	f	%	f	%	
Y2.1	-	-	2	1.7	22	18.3	46	38.3	50	41.7	4,2000
Y2.2	-	-	1	.8	15	12.5	53	44.2	51	42.5	4,2833
Y2.3	1	.8	1	.8	16	13.3	53	44.2	49	40.8	4,2333

Y2.4	1	.8	1	.8	16	13.3	53	44.2	49	40.8	4,2333
Y2.5	-	-	-	-	22	18.3	52	43.3	46	38.3	4,2000
Y2.6	-	-	1	.8	20	16.7	53	44.2	46	38.3	4,2000
Y2.7	-	-	3	2.5	13	10.8	53	44.2	51	42.5	4,2667
Y2.8	-	-	2	1.7	17	14.2	55	45.8	46	38.3	4,2083
Y2.9	-	-	1	.8	11	9.2	59	49.2	49	40.8	4,3000
Y2.10	-	-	-	-	22	18.3	53	44.2	45	37.5	4,1917
Y2.11	-	-	-	-	21	17.5	40	33.3	59	49.2	4,3167
Y2.12	-	-	2	1.7	17	14.2	46	38.3	55	45.8	4,2833
<b>Total</b>											<b>4.2430</b>

**Source: Primary Data of This Research, 2014**

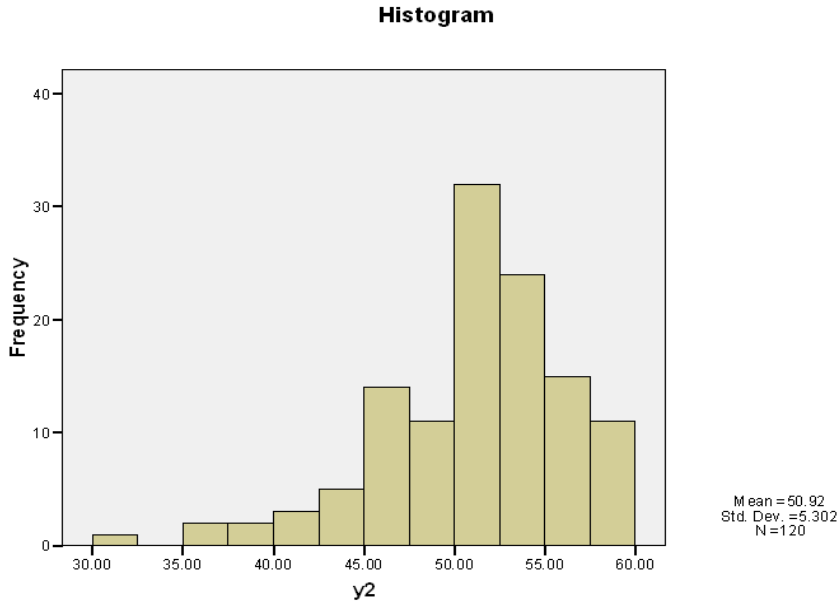
Numbers in the table (1) strongly disagree, (2) disagree, (3) natural, (4) agree, and (5) strongly agree. **Mean** of all indicators above 4, with **Total Mean 4.2430** which means there is high organizational commitment in the company and reflect the employee's satisfaction. Contributing of participants opinions was shown as: 0.1% strongly disagree, and 1% were disagreed, 14.7% normal, 42.8% agreed and 41.4% strongly agreed, table 5.9 shows numbers of participants of sample and percentage of all categories.

**Table 5.9 Participant's Percentage of Organizational Commitment**

Respondent	1	2	3	4	5
Number	2	14	212	616	596
Percent	0.1 %	1 %	14.7 %	42.8 %	41.4 %

**Source: Primary Data of This Research, 2014**

Histogram of participant's opinion in figure 5.4 shows that almost 50% of their answers were distrebuted "between" (50-55).



**Figure 5.4 Histogram of Organizational Commitment**

This histogram shows the sum of participant's opinion between minimum and maximum (30-60). Average of the participant's opinion was 50.92 of total sum 60. These results reflect a high loyalty of participants to the related company. (y2) in the horizontal line of histogram above is organizational commitment. Frequency in Vertical side of histogram shows the participant's number.

#### **5.4 Correlations among Variables**

According to the objectives of this research and by using regression, after analyzing the correlation between variables, I will analyze the results by using path analysis. First step: I will examine and analyze the impact of leadership style and pay fairness on job satisfaction by using information from regression to do path analysis. The second: I will examine and analyze the impact of leadership style and pay fairness, in addition to job satisfaction on organizational commitment, by using path analysis as well.

#### 5.4.1 Correlation among leadership style and pay fairness with job satisfaction

Previously, Descriptive statistics of all variables already have explained at the beginning of this chapter. Here is the analyzing of correlation and path analysis only. The first Column of the correlation in table below examines the effect of leadership style (x1), and pay fairness (x2), on job satisfaction (y1). Results revealed negative correlation ( $r = -.269$ ) between leadership role and job satisfaction while, pay fairness has very high correlation ( $r = .925$ ) with job satisfaction. Both of indicators were statistically significant.

**Table 5.10 Correlations of Indicators with Job Satisfaction**

		y1	x1	x2
Pearson Correlation	y1	1,000	-,269	,925
	x1	-,269	1,000	-,247
	x2	,925	-,247	1,000
Sig. (1-tailed)	y1	.	,001	,000
	x1	,001	.	,003
	x2	,000	,003	.
N	y1	120	120	120
	x1	120	120	120
	x2	120	120	120

Source: Primary Data of Research

#### 5.4.2 Correlation among leadership style, pay fairness and job satisfaction with organizational commitment

As shown in the first column in the table (4.21), the impact of (x1) leadership style on organizational commitment is negative. Correlation between both variables ( $r = -.095$ ). But the correlation between (x2) pay fairness and (y1) job satisfaction with (y2) organizational commitment is

positive, even somewhat low ( $r = .452$ ) and ( $r = .479$ ). Both of pay fairness and job satisfaction are significant with  $P < .01$ , while leadership role is insignificant.

**Table 5.11 Correlation of Indicators with Organizational Commitment**

		y2	x1	x2	y1
Pearson Correlation	y2	1,000	-,095	,452	,479
	x1	-,095	1,000	-,247	-,269
	x2	,452	-,247	1,000	,925
	y1	,479	-,269	,925	1,000
Sig. (1-tailed)	y2	.	,152	,000	,000
	x1	,152	.	,003	,001
	x2	,000	,003	.	,000
	y1	,000	,001	,000	.
N	y2	120	120	120	120
	x1	120	120	120	120
	x2	120	120	120	120
	y1	120	120	120	120

**Source: Primary Data of Research**

## 5.5 Reliability and Validity Variables

### a. Reliability

Nunally's 1978 paper actually said "what a satisfactory level of reliability is depends on how a measure is being used. In the early stages of research . . . one saves time and energy by working with instruments that have only modest reliability, for which purpose reliabilities of .70 or higher will suffice. Many of researches and studies proved this hypothesis such as this study of organizational commitment for Meyer & Allen (1997).

Results for the OCQ scales revealed moderate to high alphas: affective commitment was .75, continuance commitment was .59, and normative commitment was .75. While not a universal finding, other researchers (Allen

& Meyer, 1990; Dunham, Grube, & Castaneda, 1994; Cohen, 1996; Meyer et al., in press) have reported that the continuance commitment scales have lower reliability than the affective commitment scales and in some instances the normative commitment scales. While acknowledging this lower reliability, Allen & Meyer (1996) and Meyer & Allen (1997) state that the full continuance commitment scale is acceptable and that further development is not necessary.

**Table 5.12 Reliability Statistics of Variables**

Variables	Cronbach's Alpha	N of Items	Reliability	N
Leadership style	,855	15	Reliable	120
Pay Fairness	,899	15	Reliable	120
Job Satisfaction	,866	14	Reliable	120
Organizational Commitment	,748	12	Reliable	120

**Source: Primary Data of Research**

Results of reliability showed that all the variables are reliable. According to many of previous studies, some of them showed in this part above, the value of the reliability at least to be good above 6. This research approved that leadership role, pay fairness, job satisfaction and organizational commitment are reliable with high amount.

## **b. Validity**

### **1. Leadership Style**

As stated earlier, Bass (1985, 1998) and Bass & Avolio (1995, 1997) contend that high correlations among indicators and leadership style scale because all these behaviors represent active, positive forms of leadership. Bass & Avolio (1997) also suggest that the intercorrelations among these

subscales provides empirical support for (a) the theory upon which relations-oriented leadership is based, and (b) the theoretical links between relations-oriented and task-oriented leadership. Here I examined all indicators of leadership style; correlations within indicators were rating of low to mediate. But the correlation between indicators and leadership style was rating between (, 480 - , 661) as shown in the table 5.13 the correlation is significant also at the .01.

## **2. Pay Fairness**

Adams (1963) states that an employee will perceive a case of equity and fairness of pay if he perceives the ratio of his inputs to his outcomes to be equal to those inside and outside the organization he works for. The employee will accept it if a comparable employee receives more output if this comparable employee contributes more input. The findings partially support the findings of research that reported positive a relationship between perception of equity and fairness in pay (McIntyre et al., 2002; Rifai, 2005; Paik et al., 2007; Lambert et al., 2007; Deconinck & Bachmann, 2007). The most important perception of equity in predicting job here was perception of recognition equity and fairness. I examined all indicators of pay fairness; correlations within indicators were rating of mediate to somewhat high. But the correlation between indicators and pay fairness was rating between (, 489 - , 801) as shown in the table 5.13 The correlation is significant also at the  $p < 0.01$ .

## **3. Job satisfaction**

I examined all indicators of job satisfaction; correlations within indicators were rating of mediate. But the correlation between indicators and job satisfaction was rating between (, 443 - , 793) as shown in the table 4.14.

The correlation is significant also at the level  $p < 0.01$ . Table 5.13 down shows this correlation, deviation and significant level.

#### 4. Organizational Commitment

By examining all indicators of organizational commitment; correlations within indicators were rating of somewhat low. But the correlation between indicators and organizational commitment was rating between (, 417 - , 739) as shown in the table 5.13 The correlation is significant also at the level  $p < 0.01$ . Table down shows this correlation, deviation and significant level.

**Table 5.13 Result of Validity Test among Items**

Ques.	LS	JS	PF	OC	Validity
1.1	,626**	,452**	,643**	,417**	Valid
1.2	,565**	,704**	,720**	,618**	Valid
1.3	,624**	,793**	,709**	,672**	Valid
1.4	,608**	,654**	,801**	,739**	Valid
1.5	,653**	,701**	,688**	,589**	Valid
1.6	,568**	,661**	,685**	,694**	Valid
1.7	,623**	,540**	,653**	,635**	Valid
1.8	,491**	,639**	,620**	,550**	Valid
1.9	,492**	,595**	,641**	,533**	Valid
1.10	,546**	,473**	,627**	,537**	Valid
1.11	,546**	,642**	,489**	,546**	Valid
1.12	,480**	,593**	,678**	,583**	Valid
1.13	,566**	,565**	,583**	--	Valid
1.14	,661**	,443**	,549**	--	Valid
1.15	,543**	--	,567**	--	Valid

\*\* correlation is significant at the 0.01 level (2-tailed).

**Source: Primary Data of Research, 2014**



### INFORMATION IN TABLE 5.13:

LS: Leadership Style

PF: Pay Fairness

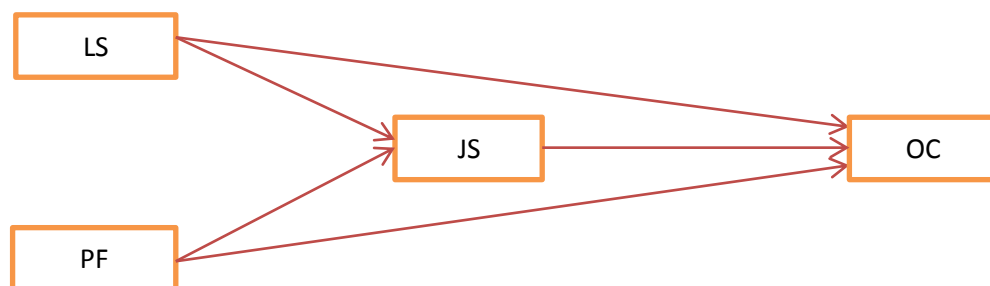
JS: Job Satisfaction

OC: Organizational Commitment.

Table above shows that all the indicators used in this research are valid. The amount of the acceptable value for the validity is above 3. All the values in table 5.13 are above 3 which show good and acceptable values.

### 5.6 Path Analysis

Usually a path analysis involve the analysis and comparison of two models-a “full model” with all of the possible paths included and a “reduced model” which has some of the paths deleted, because they are hypothesized to not contribute to the model.



**Figure 5.5 Sample of Path Analysis**

The path coefficients for the full model (with all the arrows) are derived from a series of “layered” multiple regression analysis. For each multiple regression, the criterion is the variable in the box (all boxes after leftmost layer) and the predictors are the variables that have arrows leading to the box.

For the full model above, we will need two layers of multiple regressions:

1. with (JS) as the criterion and LS & PF as the predictors.
2. with (OC) as the criterion and LS, PF and JS as the predictors.

One of the nice things about SPSS is that it will allow us to start with a correlation matrix, we don't need the raw data – this is nice because more articles now include the correlation matrix of the variables, providing us an opportunity to reanalyze their variables using this model.

Two separate multiple regression analyses were conducted to test the study hypotheses. The first hypothesis was tested using multiple regression analysis with job satisfaction as the dependent variable and leadership style with pay fairness as the independent variables. The second hypothesis was also tested using multiple regression analysis with organizational commitment as the dependent variable and leadership style, pay fairness with job satisfaction as independent variables.

Getting the “first layer” multiple regression for the for the full model

**Tables 5.14 Results of Job Satisfaction Regression**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,926 <sup>a</sup>	,857	,854	2,41720	1,053

a. Predictors: (Constant), x2, x1

b. Dependent Variable: y1

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	13,284	3,532		3,761	,000		
x1	-,046	,038	-,044	-1,208	,229	,939	1,065
x2	,778	,031	,914	25,290	,000	,939	1,065

a. Dependent Variable: y1

**Source: Primary Data of Research, 2014**

Getting the “second layer” multiple regression for the for the full model

**Tables 5.15 Results of Organizational Commitment Regression****Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,481 <sup>a</sup>	,231	,212	4,70796	2,111

a. Predictors: (Constant), y1, x1, x2

b. Dependent Variable: y2

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	24,237	7,282		3,328	,001		
x1	,033	,075	,037	,438	,662	,928	1,078
x2	,041	,152	,058	,271	,787	,145	6,886
y1	,365	,180	,436	2,027	,045	,143	6,972

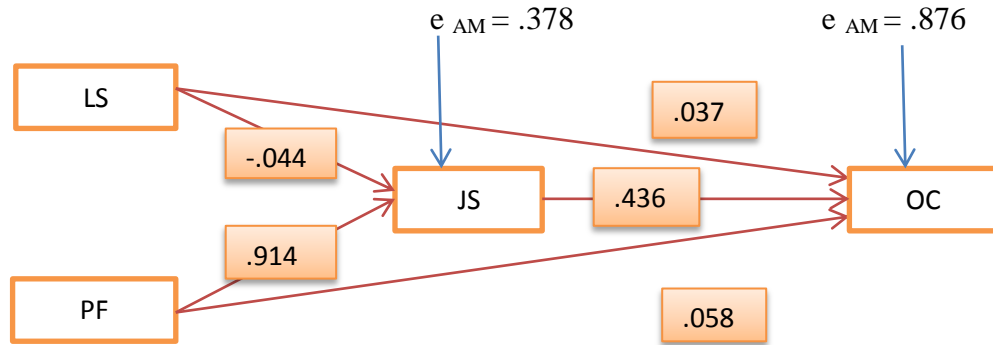
a. Dependent Variable: y2

**Source: Primary Data of Research, 2014**

### 5.6.1 Portraying the full bath model

The path coefficients are the (Beta) weights from the multiple regression analyses. The “e” values (roughly error variance) are computed as

radical ( $1-R^2$ ). Based on data in table (4.22) and (4.23), path analysis will be as following:



**Figure 5.6 Path Analyses (Full Model)**

The adjusted R-squared coefficient for this multi-variant regression model (leadership style, pay fairness and job satisfaction) is 0.857, meaning that 85.7% of job satisfaction variation is explained by leadership style and pay fairness. Standardized coefficient (Beta) of leadership style on job satisfaction is negative (Beta =  $-.044$ ) and insignificant ( $P = .229 > .05$ ). Effect of pay fairness on job satisfaction is high and positive (Beta =  $.914$ ) and significant with ( $P < 0.01$ ). The adjusted R-squared coefficient for this multi-variant regression model (leadership style, pay fairness, job satisfaction and organizational commitment) is 0.231; meaning that 23.1% of organizational commitment variation is explained by leadership style, pay fairness and job satisfaction. Standardized coefficient (Beta) of leadership style on organizational commitment was very low (Beta =  $.037$ ) and insignificant ( $P = .662 > .05$ ). Effect of pay fairness on organizational commitment also was low (Beta =  $.058$ ) and insignificant ( $P = .787 > .05$ ). Effect of job satisfaction on organizational commitment was positive (Beta =  $.436$ ) and significant ( $P < .045 < .05$ ).

For calculating error e for job satisfaction and organizational commitment as following:

$$e_{AM} = \sqrt{(1-R^2)} = \sqrt{(1-.857)} = .378 \text{ for job satisfaction.}$$

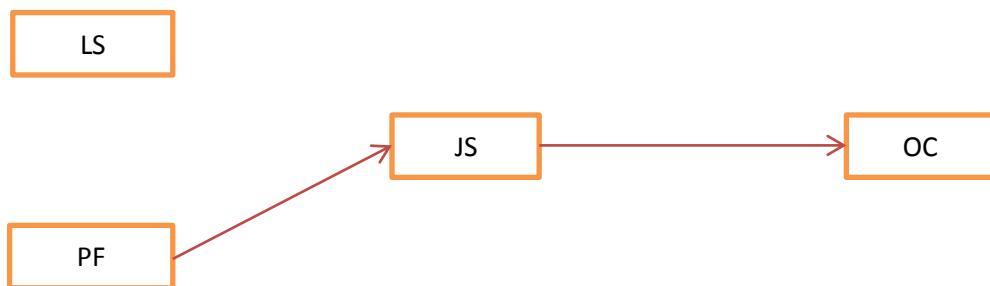
$$e_{AM} = \sqrt{(1-.231)} = .876 \text{ for organizational commitment.}$$

Examining this model we would note:

- 1- Leadership style has negative effect on job satisfaction
- 2- Pay fairness has a strongly positive impact on job satisfaction
- 3- Job satisfaction influence organizational commitment
- 4- Pay fairness has no direct effect upon organizational commitment, but has indirect effect through job satisfaction
- 5- Leadership style has no effect upon organizational commitment.

While some path analyses are “descriptive” in that they compute and describe this sort of “full model” others test hypotheses about which model paths do not portray causal links among variables. Below is such a reduced model.

According to the results of path analyses above reduced model would be:



**Figure 5.7 Reduced Model Sample**

This model posits that there is no effect of leadership style on both job satisfaction and organizational commitment. Also pay fairness has direct

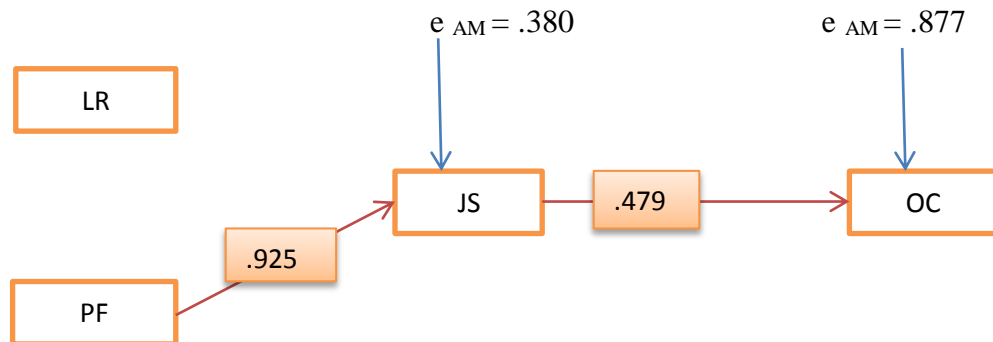
effect of job satisfaction and indirect effect upon organizational commitment through job satisfaction. Job satisfaction influences organizational commitment too.

Once again, two multiple regression models would be used to obtain the path coefficients. The two layers don't require an actual multiple regression model, because there is only one predictor for each layer.

So for job satisfaction as criterion and pay fairness as predictor:

$$R^2 = r^2 = (.925)^2 = .855 \text{ and } e_{AM} = \sqrt{(1 - .855)} = .380 \text{ for job satisfaction}$$

$$e_{AM} = \sqrt{(1 - R^2)} = \sqrt{(1 - .230)} = .877$$



**Figure 5.8 Path Analyses (Reduced Model)**

**Tables 5.16 Reduced Model Path Analysis for job satisfaction**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925(a)	.855	.854	2,42191

a Predictors: (Constant), x2

**Coefficients(a)**

Model	Unstandardized	Standardized	t	Sig.
-------	----------------	--------------	---	------

		Coefficients		Coefficients	
		B	Std. Error	Beta	
1	(Constant)	9,701	1,923		5,046
	x2	,787	,030	,925	26,353
					,000
					,000

a Dependent Variable: y1

**Source: Primary Data of Research, 2014**

Examining the model, there is only one indicator (x2) pay fairness. There is very high positive effect upon job satisfaction little more than full model. and still significant with  $P < .01$ .

**Tables 5.17 Reduced Model Path Analysis for Organizational Commitment**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,479(a)	,230	,223	4,67325

a Predictors: (Constant), y1

#### **Coefficients(a)**

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta	B	Std. Error
1	(Constant)	26,815	4,086		6,562	,000
	y1	,401	,068	,479	5,931	,000

a Dependent Variable: y2

**Source: Primary Data of Research, 2014**

Examining the tables above we would note that there is only one indicator effect or has direct effect on organizational commitment, this indicator is job satisfaction (y1). And it is significant with  $P < .01$  level.

### 5.6.2 Testing the reduced or hypothesized model

Testing the reduced model involves comparing how well it fits the data compared to how well the full model fits the data. This is much like the  $R^2\Delta$  test for comparing nested models. As with those analyses, the test of the models actually tests the average contribution of the predictors (paths) being deleted from the model, so result from dropping several predictors can be uninformative or misleading.

$$\text{Fit of the full model} \quad 1 - \pi(e^2) = 1 - .378^2 * .710^2 = .9270$$

$$\text{Fit for the reduced model} \quad 1 - \pi(e^2) = 1 - .380^2 * .710^2 = .9272$$

The summary statistic showing the relative fit of the reduced model to the full model is

$$Q = \frac{1 - \text{fit of full model}}{1 - \text{fit of reduced model}} = \frac{1 - .9270}{1 - .9272} = .997$$

So it's clear that there is no much difference between two models.

## 5.7 Discussion

This study offered additional insight into how leadership style, pay fairness and job satisfaction relative with commitment to the organization. In chapter IV of this research, descriptive statistical analysis was used to measure the leadership style, pay fairness, job satisfaction and organizational commitment of the company. After that, path analysis was used to examine the effect of leadership style and pay fairness on job satisfaction. The effect of leadership, pay fairness and job satisfaction on organizational commitment was examined by path analysis as well.



The data analysis methods chosen for this research were based on their applicability to the exploratory nature of the research design. Descriptive and inferential statistics were used to analyse the data. Pearson-product moment correlations and stepwise multiple regression analysis were performed to test the research hypothesis. Although a cut-off point of  $p < 0.05$  was set, a practical effect size of  $r > 0.30$  (medium effect, Cohen 1992) was also considered for the correlational analyses in order for the practical significance of the findings to be interpreted. In terms of the multiple regression analyses, the value of adjusted  $R^2$  was used to determine the proportion of the total variance of the dependent variable (OC) and (JS) that is explained by the independent variable (LS) (PF) and (JS). The F-test was used to test whether there was a significant regression ( $p \leq 0.05$ ) between the independent and dependent variables. For the purposes of this study,  $r$ -values larger than 0.481 (medium effect) and  $R^2$  values larger than 0.231 (medium effect) (Cohen 1992) were regarded as practically significant.

#### **a. Descriptive Statistical Analyses**

According to the results of this study, the descriptive statistical analysis for leadership style, pay fairness, job satisfaction and organizational commitment were determined as following:

##### **1. Leadership style**

Leadership style was measured by four main indicators, namely self-confidence, friendliness, dependability and trustworthiness. Based on table 5.12 and table 5.13 all indicators all valid and reliable to measure leadership style. According to table 5.2 the indicators were clearly described. The Total Mean of participant's opinion of leadership style in the company was 4.3094 of 5. This result showed a high and positive leadership role in the company.

## **2. Pay Fairness**

Pay fairness was measured by three main indicators, namely long term welfare, training provided and safety & health standard. Based on table 5.12 and table 5.13 all indicators are valid and reliable to measure pay fairness. Indicators were shown in table 5.4. The Total Mean of participant's opinion of pay fairness was 4.2627 of 5. This result described clearly the situation of pay fairness in the company.

## **3. Job Satisfaction**

Job satisfaction was measured by three main indicators, namely Communication with superiors, Ability to influence decision and Opportunity for advancement. Based on table 5.12 and table 5.13 all indicators all valid and reliable to measure job satisfaction. According to table 5.6 the indicators were clearly described. The Total Mean of participant's opinion of job satisfaction in the company was 4.2881 of 5. This result showed a high and positive satisfaction of pay fairness in the company.

## **4. Organizational Commitment**

Organizational commitment was measured by two main indicators, namely willing to help organization and accept almost any type of job. Based on table 5.12 and table 5.13 all indicators all valid and reliable to measure job satisfaction. According to table 5.8 the indicators were clearly described. The Total Mean of participant's opinion of organizational commitment in the company was 4.2430 of 5. This result showed a high loyalty of employees to their company.

## **b. Inferential Statistical Analyses**

Inferential statistical analysis based on the regression and path analysis examined the effect of leadership style and pay fairness on job satisfaction. The effect of leadership style, pay fairness and job satisfaction on organizational commitment was examined as well. Firstly, correlation between leadership style with job satisfaction was negative  $r = -.269$  while correlation between pay fairness with job satisfaction was very high and positive with  $r = .925$ . Secondly, correlation between leadership style with organizational commitment ( $r = -.095$ ) low negative, while correlation between pay fairness with organizational commitment was moderate positive ( $r = .452$ ). Lastly, correlation between job satisfaction and organizational commitment was moderate positive with ( $r = .479$ ).

By using path analysis, the effect of leadership style on job satisfaction was insignificant and negative with  $(-, .044)$ . Result showed high effecting of pay fairness on job satisfaction  $(, .914)$ . Leadership style has insignificant effect on organizational commitment  $(, .037)$ . Pay fairness has indirect significant effect on organizational commitment but insignificant direct effect with  $(, .058)$ . Job satisfaction also has a high and positive effect on organizational commitment  $(, .436)$  and significant with  $P < .05$ .

Result of negative correlation in this research related to some reasons. According to the related company, the negative relation between leadership style with job satisfaction and organizational commitment refers to workplace. Workplace in the related company is divided to different places and many of them are working in their own homes. On the other hand, there was very high correlation between pay fairness with job satisfaction. Employees' Satisfaction came from fairness in pay.

## **1. The Impact of Leadership Style on Job Satisfaction**

According to the results of this study, impact of leadership style on job satisfaction was insignificant (, 229) and negative -, 044. This result related to environment of work in the company. Workplace in this company is separated and non-supervisor workplace. As mentioned at the beginning of this chapter, more than half of workers are working in their homes. So these workers feel free about the work and no determined time. Another reason, the limitation of space in the company forced the owners to spread work; this made leadership of the company more difficult. The behavior of leaders in the company may be also other reason of non-satisfied employees in the company.

There are many studies provided the effect of leadership style on job satisfaction. The style of leadership is significant in most cases. But in some cases, leadership style has negative effect on satisfaction of employees.

Some types of leadership may not be able to promote employee satisfaction. For instance, leaders who behave in an arbitrary and capricious way, like aversive leaders, are less likely to develop a sense of team commitment and positive affective response from followers. That is, we propose that aversive leader's behaviors such as threat and intimidation may generate negative affective response which, in turn, generates behaviors such as complaining and withdrawal.

As McCroskey and Richmond (1979) explained it, "if people are forced to do something they don't like, it follows they will be less satisfied than will other people" (p. 59). Also, the aversive leader will not produce unhappy employees and cause employees to do only as much as they have to do and nothing extra. As the power is in the hands of the aversive leader, employees do the work for him or her;

hence, only the absolute minimum will be worked for a person who behaves arbitrarily and capriciously.

Transactional leadership has no effect on job satisfaction, but transformational leadership did have a positive effect which is consistent with previous studies that found an augmenting capacity of transformational leadership (e.g., Koh, Steers, & Terborg, 1995; Sosik, 1997; Sosik, Avolio, & Kahai, 1997; Waldman, Bass, & Yammarino, 1990).

## **2. The Impact of Pay Fairness on Job Satisfaction**

The impact of pay fairness on job satisfaction in this research was significant and highly positive 0.914. This result showed that even employees are not satisfied of leadership role in the company, but because the high and fair of pay them still highly satisfied.

Clark (1999) is one of very few papers to investigate the impact on job satisfaction of pay changes. Using British Household Panel Survey data from 1991 and 1992, Clark finds the effect of pay to be totally dynamic: the negative (reference) effect of lagged pay is equal to the positive effect of current pay. Clark (1999) uses dummies for nominal and real cuts but does not detect significant non-linearity in the effect of pay growth on happiness, thus finding no evidence of loss aversion. Grund and Sliwka (2007) find that job satisfaction is positively related to pay change using German Socio-Economic Panel data from 1994 to 2002. Grund and Sliwka (2007) do not distinguish between nominal and real changes (nominal pay is used but year dummies control for price changes) and nor to they investigate loss aversion. Kawaguchi and Ohtake (2007), using Japanese survey data from 2000, find that worker satisfaction with annual compensation and their change in morale over the past three years are both reduced by

nominal pay freezes (relative to raises), and reduced further by nominal cuts.

### **3. The Effect of Leadership Style on Organizational Commitment**

Leadership role in the company has an insignificant effect on organizational commitment. The value of standardized coefficient was, 0.037. This result showed no effect of leadership role on organizational commitment in this company. Considering job satisfaction as a mediator, the same reasons that leadership role has effect on job satisfaction can be considered in organizational commitment as well.

Leadership styles sometimes have a negative or insignificant effect on organizational commitment. One of the same results of negative impact leadership role on organizational commitment was established by Barbara B. Brown (2003) in her research about effects of types of leadership commitment to the organization. The laissez-faire style has this negative effect as following:

Management-by-exception (passive) and laissez-faire had negative, although not very strong correlations,  $r = -.34$  and  $r = -.39$ , with affective commitment. There was no statistically significant correlation between management-by-exception (active) and affective commitment. Correlations with normative commitment were also negative and somewhat weak: management- by-exception (active) at  $r = -.11$ , management-by-exception (passive) at  $r = -.27$ , and laissez-faire at  $r = -.18$ .

#### **4. The Effect of Pay Fairness on Organizational Commitment**

According to the result of this research, pay fairness has indirect effect on organizational commitment. Pay fairness has a positive direct effect on job satisfaction and job satisfaction has a positive and direct effect on organizational commitment. The result of effect pay fairness on job satisfaction approves this fact.

Many researchers proposed that job satisfaction has a special significance for a consideration of the effects of various antecedent constructs on organizational commitment. Mathieu and Zajac (1990) suggested that the numerous effects of various antecedents on organizational commitment are mediated through job satisfaction. Lambert, Hogan, and Griffin (2007) found that job satisfaction had a significant impact on organizational commitment. Williams and Hazer (1986) also found strong support, using structural equation modeling, that job satisfaction was an antecedent of organizational commitment. In a more recent study, Crow et al. (2012) confirmed the mediator role of job satisfaction for the relationship between organizational justice and organizational commitment. Based on these facts, the effect of job satisfaction on organizational commitment, and the effect of pay fairness on job satisfaction as well, the result of the indirect effect of pay fairness on organizational commitment was clearly noticed.

#### **5. The Impact of Job Satisfaction on Organizational commitment**

Job satisfaction has a positive effect on organizational commitment. Based on the result of this research, effect of job satisfaction was significant and positive with value 0.436.

Many researchers proposed that job satisfaction has a special significance for a consideration of the effects of various antecedent constructs on organizational commitment. Mathieu and Zajac (1990)

suggested that the numerous effects of various antecedents on organizational commitment are mediated through job satisfaction. Lambert, Hogan, and Griffin (2007) found that job satisfaction had a significant impact on organizational commitment. Williams and Hazer (1986) also found strong support, using structural equation modeling, that job satisfaction was an antecedent of organizational commitment. In a more recent study, Crow et al. (2012) confirmed the mediator role of job satisfaction for the relationship between organizational justice and organizational commitment.

### **c. Test Hypothesis of Research**

The last and important result about the impact of these hypothesizes as following:

- No direct or indirect effect of leadership style on both job satisfaction and organizational commitment.
- Direct, very high positive impact of pay fairness on job satisfaction. Indirect impact on organizational commitment.
- Direct moderate impact of job satisfaction on commitment of the organization.



## **CHAPTER VI**

### **CONCLUSION AND RECOMMUNDATION**

Chapter five has explained the result and discussion. This chapter is the final chapter in this research. Chapter six will explain about the conclusion and suggestion.

#### **6.1 Conclusions**

Descriptive statistical method was used to describe the leadership style, pay fairness, job satisfaction and organizational commitment in the company.

Inferential statistical method was used to measure the effect of leadership style and pay fairness on job satisfaction and organizational commitment.

1. Leadership style, pay fairness. Job satisfaction and organizational commitment, according to descriptive statistic were highly implemented.
2. Effect of leadership styles on job satisfaction and organizational commitment were negative and insignificant. Because, near to half of employees are working in their own homes, so this may be show there is no effective role for leadership and it's not that important for them. The results of this research maybe not conduct many other researches, but it's very important to know if these results can be found in some small businesses.
3. Direct impact and positive of pay fairness can also cover the other problems of leadership style and how management dealing with employees. Based on results were showed before, there is direct and positive effect of pay fairness on job satisfaction and indirect effect on organizational commitment.

4. Job satisfaction leads to high and direct positive impact on organizational commitment.
5. Results for negative correlation between leadership style and organizational commitment suggest that leaders or top management which involve ignoring problems or waiting for problems to become serious before taking action. Explain very little of the variation in whether employees want to or do not want to stay with the company.
6. Findings for organizational commitment explain that leaders and top management of Nizar border have to build trust, inspire a shared vision, encourage creativity, emphasize development, recognize accomplishments and bring new communication with employees of this company to make effective leadership style and create good communication between leaders (owners) with all employees.

## **6.2 Recommendations**

Based on the observations and findings from this research study, the following recommendations are importantly requested to make:

- 1) The study may draw attention on the need to strengthen the leadership style, model, approach and direction for communicating more effectively with employees. According to work in the company, some of employees are working in their homes so maybe they don't recognize the important of leadership styles. Same to the owners (leaders) of this company, they have to think about leadership styles and management of the company.
- 2) There is need for additional training for employees. This training may be improve their knowledge and show the importance of working together.

- 3) Some of the employees are working for part time, in another sentence; they are working in different environments, many of them working at homes. This may be decrease their productivity and production.
- 4) NIZAR Bordir may need to new space for work. This space can collected all the employees in one place. This space will make easy for them to work and easy to take each other opinion. Also for the leaders to share their expertise and transform for all the employees.
- 5) Payment was very good in the company and they got sometimes worthy awards.  
So I suggest continuing this way of payment and giving nominations.
- 6) There are many of outside competitors in the same area and same work. Some of the employees maybe change to work with other company. So my suggestion here good treatment with all employees especially of leadership. Also they need to feel they are important for the company.

### **6.3 Limitations and delimitation**

Concentrating on the research subject which examine and analyze the impact of leadership style and pay fairness on both of job satisfaction and organizational commitment, there are limitations in more describing and analyzing types of leadership role and pay fairness.

The population is also a consideration for this study. My sample consisted of many employees almost half of them working as part time. This characteristic maybe affected on the employees' opinion on their leadership.

One limitation existed with the MLQ Form 5X. That is, even though the instrument did serve as a measure of leadership behaviors, it did not do so in the way suggested by Bass & Avolio (1995).

When compared to the ideal scores as recommended by Bass & Avolio (1997), the mean for contingent reward suggests that some employees perceived their immediate supervisors as doing an above average job of clarifying expectations and recognizing accomplishments. Whereas, mean scores for the other variables subscales in this research suggest some need for improvement.

Another consideration involves the demographics. Results might have been different if percentages for sex, age, time with company, time with immediate supervisor, kind of work, and education were different.

There is other important limitation of this research about the available information about the company. There were some problems to get right information about the situation and relation between top management with employees.

#### **6.4 Further study**

Research should be conducted to develop an instrument that represents a more appropriate measure of leadership style and pay fairness. Also the other available: Job satisfaction and organizational commitment.

The MLQ Form was the best available instrument. However, as described earlier, there were problems with this instrument. Of particular note were the high correlations among the Leadership style subscales. This suggests that these subscales were not distinct measures of the different type's leadership behaviors.

Same problem with the other variables pay fairness, job satisfaction and organizational commitment. The questionnaire I used in this research was collections of many resources.

The negative correlations between leadership style and job satisfaction also leadership role with organizational commitment suggest a need for additional research. Meyer & Allen (1997) state that the relationships each of these scales have with outcome measures is sufficiently different to warrant retaining both. However, my findings did not support this contention.

Lastly, researchers might further examine the particular circumstances under which leadership behaviors and pay fairness might influence job satisfaction and organizational commitment.

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## APPENDIXES

### Appendix A: Employee Opinion Survey in Leadership Style

Leadership Style:

Department name:

Gender:

Full/Part time:

Years of work:

Age:

Education:

Please indicate your level of agreement with each of the following statements.

	Strongly Disagree	Somewhat Disagree	Neither Agree Disagree nor	Somewhat Agree	Strongly Agree
Articulate: Communicates effectively with others <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Perceptive: Discerning and insightful. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Self-confident: Believes in oneself and one's ability. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Friendly: Shows kindness and warmth. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sensitive: Shows tolerance, is tactful and Sympathetic. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dependable: Is consistent and reliable. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trustworthy: Is authentic, inspires confidence. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Empathic: Understands others, identifies with Others. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taking risks and initiate action. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Providing structure and organization to work or to teams. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Encouraging and showing support for others. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recognizing and valuing other. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding practical solutions. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leader is as an energetic person. <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sensing and understanding people's needs or motivations <input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Appendix B: Employee Opinion Survey in Pay Fairness

Pay fairness Role:

Department name:

Gender:

Full/Part time:

Years of work:

Age:

Education:

Please indicate your level of agreement with each of the following statements.

	Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
I am proud to work for our company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our company is concerned with the long term welfare of the employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am satisfied with the training provided for my current job.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I like my job i.e. the work I do.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My immediate superior deals with employees problems fairly.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel there is adequate opportunity for me to move to a better job.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company recognizes the accomplishment of employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company has adequate safety & health standard.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I receive prize from my work if well done	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have Health insurance with my family.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My Superior recognizes my performance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The way the company treats all employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your salary Relative to the rest of the staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
All things considered, how do you rate company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am satisfied with my salary.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Appendix C: Employee Opinion Survey in Job Satisfaction

### JOB SATISFACTION

Department name:

Gender:

Full/Part time:

Years of work:

Age:

Education:

Please indicate your level of agreement with each of the following statements.

	Very dissatisfied	Somewhat dissatisfied	Neutral	Somewhat satisfied	Very satisfied	N/A
Connection between pay and performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flexibility of work hours	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity for advancement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ability to influence decisions that affect you	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity to use new technologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Communication with your supervisor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recognition received from your supervisor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your supervisor's management capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your overall relationship with your supervisor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your relationship with your peers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your relationship with customers/clients/end users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your understanding of the business mission	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your overall satisfaction with your company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall satisfaction with your job	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



## Appendix D: Employee Opinion Survey in Organizational Commitment

### Organizational Commitment:

Department name:  
time:

Gender:

Full/Part

Years of work:

Age:

Education:

Please indicate your level of agreement with each of the following statements.

	Strongly disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Strongly agree
I am willing to help organization be successful.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I talk up this organization to my friends as a great organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would accept almost any type of job assignment in order to keep working for this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I find that my values and the organization's values are very similar.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am proud to tell others that I am part of this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I will not work for another organization giving same salary and more benefit.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This organization really inspires the best in me.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am extremely glad I chose this organization to work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There's much to be gained by sticking with this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Often, I find it difficult to agree with this organization's policies.(reversed)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I really care about the fate of this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For me, this is the best of all organizations for which to work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Deciding to work for this organization was a good choice on my part.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have many good friends and we are like a family.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel very high loyalty to this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Appendix E: Average of participants opinions

AVRLS	AVRPF	AVRJS	AVROC	AVRLS	AVRPF	AVRJS	AVROC
4	4.1	3.7	4.2	4.2	4.3	4.3	4.2
4.3	4.3	4.4	4.4	4.1	4.3	4.1	4.3
4.2	4.1	4.3	5	4.3	4.2	4.3	4.2
4.1	4.3	4.5	4.2	4	4.3	4.3	4.3
4.1	4.3	4.3	4.2	4.1	4.1	4.1	4.3
4	4.2	4.1	4.1	3.7	4	4	4
4.1	4	4.7	4.2	4	4.3	4.3	4.1
4.1	5	3.9	4.1	4	4.1	4.1	4.6
4.3	4.4	4.3	4.2	3.9	4.4	4.4	4.1
3.9	4.4	4.2	4	3.5	4	4.1	4.2
4	4.3	4.2	4.3	4.1	4.1	4.4	3.9
4.1	4.2	3.7	3.9	3.8	3.8	4.3	4.2
3.7	4.1	4.1	4.3	4.2	4.1	4.3	3.8
3.9	4.2	4	4.1	4.1	4.1	4.1	4.3
3.9	4	4.3	4.2	4	4.1	4.1	4.2
3.8	4.1	3.9	3.7	4.1	4.3	3.9	4.1
4	4.1	4.1	4.3	3.9	4.2	4	4
3.9	4	3.9	4.3	3.8	3.9	4.3	3.9
3.9	4.3	4.1	5	3.9	4.1	4	4.2
3.8	4	4.2	4	4.1	4.4	3.9	4.1
4	4.3	4.7	4.2	4	3.9	4.4	4.4
4.1	4.2	4.1	4.6	3.8	4.1	4.1	4.3

## Appendix F: Recaps of variables

Respondent	x1	x2	y1	y2
1	66	65	65	55
2	67	64	64	47
3	55	71	65	50
4	68	66	62	49
5	64	69	64	52
6	57	64	61	48
7	60	69	70	50
8	69	61	56	49
9	64	75	68	44
10	71	53	50	60
11	62	69	64	51
12	68	70	64	51
13	68	62	60	50
14	75	51	49	56
15	66	72	65	47
16	67	60	57	56
17	68	66	63	50
18	68	72	64	51
19	63	60	57	55
20	68	69	62	52
21	70	66	63	57
22	67	59	56	45
23	69	72	66	51
24	69	64	60	53
25	69	66	63	52
26	69	68	64	54
27	51	71	63	57
28	58	53	52	44
29	53	68	61	54
30	75	61	59	50
31	67	58	53	46
32	59	72	67	58
33	59	69	63	56
34	68	60	55	45
35	63	67	65	52
36	63	68	62	53
37	62	61	59	49
38	62	52	47	40
39	62	68	63	52
40	66	74	69	60
41	75	63	58	50
42	63	75	68	60
43	60	62	61	49
44	67	66	62	53
45	68	70	64	45
46	65	75	68	48
47	65	64	63	51
48	66	60	53	47
49	73	51	48	60

	50	53	71	65	48
	51	57	66	62	55
	52	69	62	59	53
	53	64	66	64	54
	54	64	71	67	52
	55	70	69	66	56
	56	66	66	61	57
	57	67	68	63	52
	58	52	64	62	53
	59	63	75	70	47
	60	71	70	64	53
	61	64	69	65	55
	62	65	68	63	58
	63	55	68	64	47
	64	59	65	59	54
	65	60	66	62	53
	66	64	54	47	51
	67	74	46	43	37
	68	65	67	62	53
	69	64	65	60	51
	70	68	55	52	44
	71	65	67	60	54
	72	66	55	52	47
	73	57	60	55	46
	74	68	45	45	36
	75	64	64	60	50
	76	74	67	63	55
	77	51	75	70	60
	78	66	58	55	47
	79	72	38	38	32
	80	65	61	58	46
	81	67	71	66	58
	82	67	60	56	48
	83	66	71	66	54
	84	63	55	52	43
	85	66	60	52	48
	86	63	66	61	51
	87	44	72	67	59
	88	70	51	49	40
	89	60	70	65	42
	90	72	64	60	50
	91	60	68	64	54
	92	70	75	70	60
	93	64	64	58	50
	94	64	66	61	52
	95	46	64	61	50
	96	72	67	63	51
	97	66	59	56	47
	98	75	70	64	50
	99	56	66	62	54
100	65	51	48	53	
101	57	60	57	49	
102	69	67	61	54	
103	70	63	58	49	
104	70	66	61	53	
105	75	66	61	51	
106	67	68	62	54	
107	67	56	53	44	
108	70	67	61	54	
109	53	65	60	52	
110	59	75	69	39	
111	66	45	43	38	
112	59	65	63	53	
113	70	70	65	55	
114	61	52	50	54	
115	62	71	65	56	
116	63	67	62	54	
117	69	55	50	59	
118	70	54	58	52	
119	61	55	65	55	
120	64	44	58	51	

## Appendix G: sample and population

Department	Population	sample
Production	270	69
Sales	75	28
HR	37	16
Designing & other service	18	7
	400	120

## Appendix H: Regression Result part 1:

### Descriptive Statistics

	Mean	Std. Deviation	N
y1	60,0333	6,32845	120
x1	64,6417	5,96178	120
x2	63,9417	7,43294	120

### Variables Entered/Removed<sup>b</sup>

Model	Variables Entered	Variables Removed	Method
1	x2, x1 <sup>a</sup>	.	Enter

a. All requested variables entered.

b. Dependent Variable: y1

### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4082,250	2	2041,125	349,336	,000 <sup>a</sup>
	Residual	683,617	117	5,843		
	Total	4765,867	119			

a. Predictors: (Constant), x2, x1

b. Dependent Variable: y1

### Collinearity Diagnostics<sup>a</sup>

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	x1	x2
1	1	2,984	1,000	,00	,00	,00
	2	,014	14,826	,00	,24	,52
	3	,003	34,113	1,00	,76	,48

a. Dependent Variable: y1

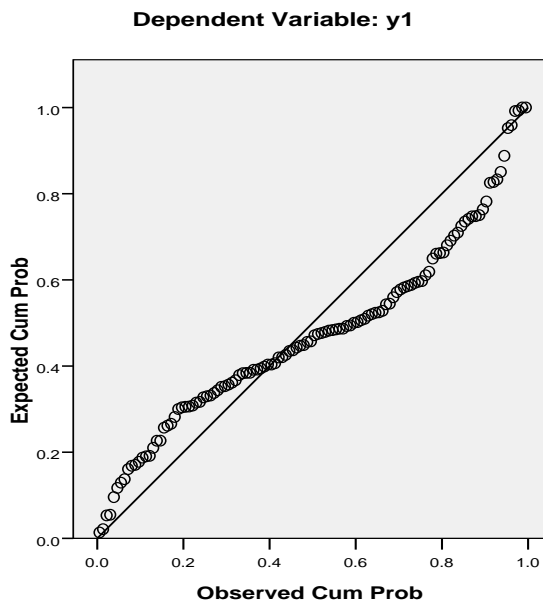
### Residuals Statistics<sup>a</sup>

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	39,5102	69,2687	60,0333	5,85701	120
Residual	-5,32863	13,45119	,00000	2,39681	120
Std. Predicted Value	-3,504	1,577	,000	1,000	120
Std. Residual	-2,204	5,565	,000	,992	120

a. Dependent Variable: y1

## Charts

### Normal P-P Plot of Regression Standardized Residual



## Appendix I: Regression Result part 2:

### Descriptive Statistics

	Mean	Std. Deviation	N
y2	50,9167	5,30195	120
x1	64,6417	5,96178	120
x2	63,9417	7,43294	120
y1	60,0333	6,32845	120

### Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	y1, x1, x2(a)	.	Enter

a All requested variables entered.

b Dependent Variable: y2

### ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	774,045	3	258,015	11,641	,000(a)
	Residual	2571,122	116	22,165		
	Total	3345,167	119			

a Predictors: (Constant), y1, x1, x2

b Dependent Variable: y2

### Collinearity Diagnostics(a)

Model	Dimension	Eigenvalue	Condition Index		Variance Proportions		
		(Constant)	x1	x2	y1	(Constant)	x1
1	1	3,979	1,000	,00	,00	,00	,00
	2	,018	14,883	,01	,21	,03	,02
	3	,003	39,336	,91	,77	,05	,00
	4	,001	67,096	,08	,02	,92	,98

a Dependent Variable: y2

### Residuals Statistics(a)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	42,0462	55,1873	50,9167	2,55041	120
Residual	-15,46009	13,73442	,00000	4,64823	120
Std. Predicted Value	-3,478	1,674	,000	1,000	120
Std. Residual	-3,284	2,917	,000	,987	120

a. Dependent Variable: y2

### Charts

#### Normal P-P Plot of Regression Standardized Residual

Dependent Variable: y2

